

THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

PROSPECTUS

DATED: NOVEMBER 18, 1988

# HIxon GOLD RESOURCES INC. 520917

(hereinafter called the "Issuer")

410, 1122 - 4th Street S.W.

Calgary, Alberta

T2R 1M1

939/7E

## UNIT OFFERING: 200,000 UNITS, EACH UNIT CONSISTING OF ONE COMMON SHARE AND TWO SERIES "A" SHARE PURCHASE WARRANTS <sup>(1)</sup>

| Units         | Price to Public | Commission  | Net Proceeds to be Received by the Issuer <sup>(2)</sup> |
|---------------|-----------------|-------------|--|
| Per Unit..... | \$ 0.45         | \$ 0.05     | \$ 0.40  |
| Total.....    | \$ 90,000.00    | \$10,000.00 | \$ 80,000.00   |

## FLOW-THROUGH OFFERING: 400,000 UNITS, EACH UNIT CONSISTING OF ONE "FLOW-THROUGH" COMMON SHARE AND TWO SERIES "A" SHARE PURCHASE WARRANTS <sup>(1)</sup>

| Units         | Price to Public | Commission                 | Net Proceeds to be Received by the Issuer <sup>(2)</sup> |
|---------------|-----------------|----------------------------|--|
| Per Unit..... | \$ 0.45         | \$ 0.05                    | \$ 0.40  |
| Total.....    | \$180,000.00    | \$20,000.00 <sup>(3)</sup> | \$160,000.00   |

(1) Two Series "A" share purchase warrants will entitle the holder thereof to purchase one additional non-flow-through common share of the Issuer.

(2) Before deduction of the remaining costs of this issue estimated to be \$16,000.

(3) This amount will be paid out of the proceeds of the "non-flow-through" unit offering.

THE AGENT WILL RECEIVE WARRANTS TO PURCHASE 150,000 SHARES OF THE ISSUER ON COMPLETION OF THE OFFERING. THE AGENT'S WARRANTS ARE DISTRIBUTED TO THE AGENT UNDER THIS PROSPECTUS. ANY UNITS ACQUIRED BY THE AGENT UNDER ITS GUARANTEE WILL BE DISTRIBUTED UNDER THIS PROSPECTUS THROUGH THE FACILITIES OF THE VANCOUVER STOCK EXCHANGE AT THE MARKET PRICE AT THE TIME OF SALE.

THERE IS NO MARKET THROUGH WHICH THESE SECURITIES MAY BE SOLD. THE PRICE OF THE SECURITIES OFFERED PURSUANT TO THIS PROSPECTUS WAS DETERMINED BY AGREEMENT BETWEEN THE ISSUER AND THE AGENT.

A PURCHASE OF THE SECURITIES OFFERED BY THIS PROSPECTUS MUST BE CONSIDERED AS SPECULATION. ALL OF THE PROPERTIES IN WHICH THE ISSUER HAS AN INTEREST ARE IN THE EXPLORATION AND DEVELOPMENT STAGE ONLY AND ARE WITHOUT A KNOWN BODY OF COMMERCIAL ORE. NO SURVEY OF ANY PROPERTY OF THE ISSUER HAS BEEN MADE AND THEREFORE IN ACCORDANCE WITH THE LAWS OF THE JURISDICTION IN WHICH THE PROPERTIES ARE SITUATE, THEIR EXISTENCE AND AREA COULD BE IN DOUBT. SEE ALSO PARAGRAPH "RISK FACTORS" HEREIN.

THE VANCOUVER STOCK EXCHANGE HAS CONDITIONALLY LISTED THE SECURITIES BEING OFFERED PURSUANT TO THIS PROSPECTUS. THE LISTING IS SUBJECT TO THE ISSUER FULFILLING ALL THE LISTING REQUIREMENTS OF THE EXCHANGE ON OR BEFORE JUNE 10, 1989, INCLUDING PRESCRIBED DISTRIBUTION AND FINANCIAL REQUIREMENTS.

NO PERSON IS AUTHORIZED BY THE ISSUER TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE ISSUE AND SALE OF THE SECURITIES OFFERED BY THE ISSUER.

UPON COMPLETION OF THIS OFFERING THIS ISSUE WILL REPRESENT 18.23% OF THE SHARES THEN OUTSTANDING AS COMPARED TO 69.05% THAT WILL THEN BE OWNED BY THE CONTROLLING PERSONS, PROMOTERS, DIRECTORS AND SENIOR OFFICERS OF THE ISSUER AND ASSOCIATES OF THE AGENT. REFER TO THE HEADING "PRINCIPAL HOLDERS OF SECURITIES" HEREIN FOR DETAILS OF SHARES HELD BY DIRECTORS, PROMOTERS AND CONTROLLING PERSONS.

AFTER GIVING EFFECT TO THIS ISSUE, THE OFFERING PRICE PER UNIT EXCEEDS THE NET TANGIBLE BOOK VALUE AS AT JUNE 30, 1988, PER COMMON SHARE BY \$0.2625 REPRESENTING A DILUTION FACTOR OF 58.33%.

ONE OR MORE OF THE DIRECTORS OF THE ISSUER HAS AN INTEREST, DIRECT OR INDIRECT, IN OTHER NATURAL RESOURCE COMPANIES. REFERENCE SHOULD BE MADE TO THE ITEM "DIRECTORS AND OFFICERS" HEREIN FOR A COMMENT AS TO THE RESOLUTION OF POSSIBLE CONFLICTS OF INTEREST.

WE, AS AGENT, CONDITIONALLY OFFER THESE SECURITIES SUBJECT TO PRIOR SALE, IF, AS AND WHEN ISSUED BY THE ISSUER AND ACCEPTED BY US IN ACCORDANCE WITH THE CONDITIONS CONTAINED IN THE AGENCY AGREEMENT REFERRED TO UNDER THE HEADING "PLAN OF DISTRIBUTION" IN THIS PROSPECTUS SUBJECT TO APPROVAL OF ALL LEGAL MATTERS ON BEHALF OF THE ISSUER BY CASEY, O'NEILL & BENGE, AND ON OUR BEHALF BY OUR LEGAL COUNSEL.

AGENT:

CANARIM INVESTMENT CORPORATION LTD.

22nd Floor, 609 Granville Street

Vancouver, British Columbia

V7Y 1H2

EFFECTIVE DATE: DECEMBER 12, 1988.

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CERTIFICATE OF THE ISSUER

CERTIFICATE OF THE AGENT

## PROSPECTUS SUMMARY

THE FOLLOWING IS A SUMMARY ONLY AND REFERENCE IS MADE TO THE MORE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS.

### Issuer

Hixon Gold Resources Inc. incorporated on October 10, 1986.

### Issue

600,000 Units

### Price

200,000 Units at a price of \$0.45 per unit, each unit consisting of one common share and two Series "A" share purchase warrants

400,000 Units at a price of \$0.45 per unit, each unit consisting of one "flow-through" common share and two Series "A" share purchase warrants

### Agent

Canarim Investment Corporation Ltd.

### Type of Offering

Guaranteed Agency Offering. The Agent has agreed to purchase any Units not sold at the conclusion of the Offering. In consideration therefor, the Agent has been granted non-transferable share purchase warrants entitling it to purchase up to 150,000 common shares of the Issuer for a period of two years from the date of listing of the Issuer's shares on the Vancouver Stock Exchange at a purchase price of \$0.45 per share during the first year and \$0.52 per share during the second year of the exercise term.

### Business of Issuer

The Issuer is engaged in the business of acquiring, exploring and developing natural resource properties. The Issuer has two mineral properties located in British Columbia.

### Use of Proceeds

To pay for the Issuer's share of the cost of further exploration and development of the Hixon Creek Property and for working capital. See the heading "Description of Business and Property of the Issuer".

### Estimated Expenditures and Tax Deductions

The Issuer will cause \$0.45 for each flow-through common share issued to the subscribers as part of a Flow-Through Unit to be

expended on Canadian exploration expense ("CEE") which expenditures will be renounced by the Issuer effective in 1988 to the subscribers pursuant to the Income Tax Act (Canada). Deductions for federal income tax purposes for individuals related to mineral exploration expenditures qualifying for mining exploration development allowance ("MEDA") incurred or deemed to be incurred in 1988 are 133% of such expenditures and for corporations and trusts are 133% of such expenditures incurred before July 1, 1988 and 116 2/3% of expenditures incurred after June 30, 1988. CEE with respect to expenditures incurred during the 60 day period after December 31, 1988 may be deemed to be incurred as of December 31, 1988 if, among other things, the subscriber deals at arm's length with the Issuer. MEDA in respect of qualifying CEE incurred during the 60 day period after December 31, 1988 and deemed to be incurred as of December 31, 1988 will be available to individuals at the rate of 33% and to corporations and trusts at the rate of 16 2/3%.

Investors should consult their tax advisors in order to determine the annual taxable income they will need so as to fully benefit from the income tax savings associated with the Flow-Through Units.

#### Management

The Directors and Officers of the Issuer consist of Glen H. Harper (President and Director), Robert S. Edmunds (Secretary and Treasurer), Les M. Bitz (Assistant Secretary), G. Lawrence Lahusen (Director) and Robert J. Lemmon (Director). The Management of the Issuer is based in Alberta.

#### Risk Factors

An investment in the Units is speculative and subject to certain risks. There is no market through which the Units may be sold and there are no known bodies of ore on the Issuer's mineral properties. Furthermore, the exploration for minerals is a speculative venture and highly competitive and there is no assurance that even if commercial quantities of ore are discovered, a ready market will exist for the sale of same. Factors beyond the control of the Issuer may affect the marketability of any substances discovered.

There is no assurance that the Issuer will be able to incur Qualified Expenditures on its mineral resource properties in time to renounce CEE and MEDA to the investor for the 1988 tax year. In addition, there is no assurance that income tax laws will not change in a manner which will fundamentally alter the tax consequences of holding or disposing of Flow-Through Units or that expenses incurred by the Issuer will qualify as CEE or MEDA.

For details, see the heading "Risk Factors" herein.

**NAME AND INCORPORATION**

HIXON GOLD RESOURCES INC. (the "Issuer") was incorporated on October 10, 1986, under the Business Corporations Act of the Province of Alberta by the registration of its Articles of Incorporation.

The address of the head office of the Issuer is Suite 410, 1122-4th Street S. W., Calgary, Alberta, T2R 1M1.

The address of the registered office of the Issuer in British Columbia is 12th Floor, 1190 Hornby Street, Vancouver, British Columbia, V6Z 2L3.

**DESCRIPTION OF BUSINESS AND PROPERTY OF THE ISSUER**

**BUSINESS**

The Issuer is a natural resource company engaged in the acquisition, exploration and development of natural resource properties. The Issuer has interests in the properties described under the heading "Property" and intends to seek and acquire additional properties worthy of exploration and development.

**PROPERTY**

**HIXON CREEK PROPERTY**

**Property Description and Acquisition Particulars**

The Issuer has a 50% working interest in 10 recorded mineral claims comprising 56 units located in the Cariboo Mining Division of British Columbia and legally described as follows:

| <u>Claim Name</u> | <u>Units</u> | <u>Record #</u> | <u>Expiry Date</u> |
|-------------------|--------------|-----------------|--------------------|
| HQ                | 4            | 856(9)          | Sept. 25, 1991     |
| HQ2               | 20           | 969(4)          | Apr. 9, 1992       |
| HQ3               | 6            | 970(4)          | Apr. 9, 1992       |
| HQ4               | 20           | 1846(7)         | July 29, 1991      |
| Hixon Quartz 1    | 1            | 61413(12)       | Dec. 16, 1989      |
| Hixon Quartz 2    | 1            | 61414(12)       | Dec. 16, 1989      |
| Hixon Quartz 3    | 1            | 821(9)          | Sept. 1, 1991      |
| Hixon Quartz 4    | 1            | 822(9)          | Sept. 1, 1991      |
| Hixon Quartz 5    | 1            | 823(9)          | Sept. 1, 1991      |
| Hixon Quartz 6    | 1            | 824(9)          | Sept. 1, 1991      |

("Hixon Creek Property").

The Hixon Creek Property is subject to royalty burdens totalling 5% of net smelter returns (see below for further details).

The Issuer originally acquired a 100% working interest in the Hixon Creek Property from Golden Rule Resources Ltd., a public company whose shares are listed for trading on The Toronto Stock Exchange and Montreal Exchange, (as to 75%) and from Touchstone Investments Ltd., a private company, (as to 25%) pursuant to an agreement dated July 5, 1987 (the "Hixon Creek Agreement"). Glen H. Harper and G. Lawrence Lahusen, directors of the Issuer, are also directors of Golden Rule Resources Ltd. R.S. Edmunds, an officer of the Issuer, is employed on a contract basis by Golden Rule Resources Ltd., as are Robert J. Lemmon and Les M. Bitz. None of the directors, officers, insiders, shareholders or promoters of the Issuer is a director, officer, insider, shareholder or promoter of Touchstone Investments Ltd.

Pursuant to the Hixon Creek Agreement, the Issuer acquired its interest in the Hixon Creek Property in consideration for 1,340,800 common shares of the Issuer issued at a deemed price of \$0.25 per share, which was then reduced by agreement between the parties to \$0.1757 per share.

The aforesaid 1,340,800 common shares were issued as to 75% (1,005,600 shares) to Golden Rule Resources Ltd. ("GRRL") and as to 25% (335,200 shares) to Touchstone Investments Ltd. ("TIL").

Pursuant to an agreement dated May 31, 1988 between GRRL and TIL (the "GRRL-TIL Share Exchange Agreement"), GRRL purchased TIL's 335,200 shares for \$83,800 which amount was paid through the issuance of 30,473 shares of GRRL at \$2.75 per share. This purchase was subject to the prior approval of the Toronto Stock Exchange, which approval has now been granted.

Of the 1,340,800 shares issued for the Hixon Creek Property now owned by GRRL, 123,068 shares have been issued without any resale restrictions, and 1,217,732 shares are held in escrow by the Montreal Trust Company of Canada, the Issuer's Registrar and Transfer Agent, pursuant to an Escrow Agreement dated September 15, 1988 (the "Property Escrow Agreement"). The Property Escrow Agreement provides that the 1,217,732 shares will be held in escrow for ten years, to be released during that time only on the basis of one share for each \$0.45 of net proceeds of production earned by the Issuer from the Hixon Creek Property after recovery of all acquisition, exploration and development costs incurred by the Issuer. Net proceeds of production means the Issuer's share of the amount by which the total value of product sales calculated at the point of sale exceeds the aggregate of pre-production expenditures and disbursements incurred in the operation of the mine and sale of the product. A copy of the Property Escrow Agreement is available for inspection at the registered office of the Issuer in British Columbia at 12th Floor, 1190 Hornby Street, Vancouver, British Columbia, V6Z 2L3,

during ordinary business hours for the period of distribution of the shares offered herein.

The Hixon Creek Property is subject to the following royalties:

- (a) A royalty of 2.5% of net smelter returns payable to Victor Guinet of Box 1132, Prince George, British Columbia and Andrew Harman of 2293 West 33rd Avenue, Vancouver, British Columbia, jointly.
- (b) A royalty of 2.5% of net smelter returns (or 5% if the Guinet - Harman royalty described in paragraph (a) above is discharged) payable to Esperanza Explorations Ltd. of Suite 1027 - 470 Gnanville Street, Vancouver, British Columbia.

Pursuant to an Option Assignment Agreement dated as of August 24, 1987, GRRL assigned to the Issuer its interest in an Option Agreement which it had entered into on October 1, 1986 with Noranda Exploration Company Limited ("Norex") respecting the Hixon Creek Property (the "Norex Option Agreement"). Pursuant to the terms of the Norex Option Agreement, Norex had the right to acquire a 50% working interest in the Hixon Creek Property by spending an aggregate of \$250,000 or more on exploration and development on the Hixon Creek Property on or before March 1, 1988. Norex expended in excess of \$250,000 on the Hixon Creek Property prior to March 1, 1988 and exercised its option. See below for a description of the results of the work carried out by Norex.

Pursuant to the Option Assignment Agreement, the Hixon Creek Property is now owned as follows (subject to the 5% net smelter return royalty described above):

- (a) The Issuer - 50% working interest
- (b) Norex - 50% working interest<sup>(1)</sup>

(1) Norex has joint ventured its 50% working interest with Gabriel Resources Ltd. ("Gabriel"), a company unrelated to the Issuer. Norex is the manager of the Norex/Gabriel joint venture and provided Norex (on behalf of the Norex/Gabriel joint venture) maintains a 50% working interest in the Hixon Creek Property, Norex shall remain the operator of the Hixon Creek Property under the terms of the Norex Option Agreement (see below).

A joint venture between the Issuer and Norex has been formed and a Management Committee consisting of one representative of the Issuer and one representative of Norex has been appointed. Each representative is entitled to one vote for each 1% working interest held by such participant but in the event of a deadlocked vote, Norex is the Operator and as such has a casting vote

as long as it remains the Operator. If either the Issuer or Norex fails to make its required contribution to exploration and development expenditures under a work program recommended by Norex, then the party failing to make its required contribution will have its working interest reduced pro rata. At any time a party's working interest can be calculated by dividing its expenditures and deemed expenditures by the total expenditures and deemed expenditures of both parties and expressing the result as a percentage. For the purpose of calculating the initial and subsequent working interests of each party, both Norex and the Issuer are deemed to have expended \$250,000. Should either party's interest be reduced to a percentage equal to or less than 10%, then it must automatically forfeit all of its interest in the Hixon Creek Property to the other party and the joint venture will terminate. The terms and conditions governing the operation of the joint venture between the Issuer and Norex are set out in the Norex Option Agreement.

The Hixon Creek Agreement, the Property Escrow Agreement, the Option Assignment Agreement and the Norex Option Agreement will all be available for inspection at the Issuer's registered office in British Columbia at 12th Floor, 1190 Hornby Street, Vancouver, British Columbia, V6Z 2L3, during ordinary business hours for the period of distribution of the shares offered herein.

Exploration and development costs incurred by GRRRL on the Hixon Creek Property amounted to \$131,600.

#### Location, Access and Exploration History

The Hixon Creek Property is located in central British Columbia approximately 55 kilometres south of Prince George, British Columbia. Access to the property is via a good unpaved secondary road. The Hixon Creek Property and the surrounding area has a long placer mining history. Several narrow quartz veins occurring near the confluence of the main creek and Little Dixon Creek are evidently the source of some of the placer deposits. Since the 1870s the veins have been explored sporadically for their lode gold potential. A few hundred tons of ore were ultimately produced from several local underground entries but in the late 1930s, operations were terminated. In the early 1970s, Bethlehem Copper Corporation staked the surrounding area. Bethlehem Copper Corporation carried out reconnaissance geological mapping and geochemical soil surveys in 1971 and in the following year drilled four core holes for a total of 449 metres. In 1979, Golden Rule Resources Ltd. acquired the Hixon Creek Property and, carried out geological, geochemical and geophysical surveys in 1980 and 1981. In 1983, Taiga Consultants Ltd. drilled four core holes for a total of 353 metres in the vicinity of the old workings. The work done by Taiga Consultants Ltd. on behalf of Golden Rule Resources Ltd. confirmed a magnetic anomaly initially identified from a government supported



aeromagnetic survey. The anomalous magnetic response is interpreted as being caused by interbedded greenstone rocks. This interpretation is derived from a combination of drill core, old underground maps and the few outcrops exposed in the area. VLF conductors are common. The strongest and most persistent strike northerly across the greenstone body whereas a few short conductors parallel the magnetic trend. They are interpreted to reflect faults and/or shear structures. Soil samples were collected at 25 metre stations along lines based at 100 and 200 metre intervals, the shorter spacing being between lines 2400 metres north and 3400 metre north. Samples were analyzed for gold and 24 other elements. Anomalous gold values (plus 40 ppb) are wide spread over the grid; however, most of them occur in the vicinity of the old workings probably because of mine contamination and thinner soil cover flanking Hixon Creek.

#### 1987 and 1988 Norex Work Program

In late 1987 and early 1988, Norex carried out geological, geophysical and geochemical surveys as well as trenching and drilling programs on the Hixon Creek Property. The work focused on two areas, the Pedley Lake Grid at the south end of the property and the North Grid covering parts of the central and northerly portions of the property. Certain old workings are located within the North Grid area.

#### 1987 Trenching

A total of 23 trenches were completed. A total of five trenches were completed on the Pedley Lake grid and of those only one trench returned significant results. This trench exposed a large area of moderate to very strong quartz-carbonate altered basalt. A very prominent set of north-northeast trending quartz veins to three centimetres wide occurs over a 12 metre width in the northeast corner of the trench. During the excavation of this trench, a piece of quartz vein rubble was observed to contain visible gold. Due to the very hard, smooth nature of the outcrop, it was not possible to collect chip samples and therefore each vein was individually sampled in order to determine if one or all of the veins were carrying gold. The results showed that in fact all the veins carried gold with assay values ranging from .23 to 109.85 grams per ton. During assaying, two size fractions ( -150 mesh and +150 mesh) were assayed and the results were then combined to give a total assay. The results clearly indicate the presence of coarse gold in at least seven of the samples.

On the North Grid, a total of 18 trenches were completed. These trenches lie from two to three kilometres north of the Pedley Lake trenches. Five trenches and an old trench returned significant results. Of the chip samples taken, assays ranged

from .89 grams per ton over three metres width to 13.52 grams per ton over 1.5 metres width. Mineralization in these trenches represent new occurrences and are scattered over an area of approximately 500 metres by 1,000 metres.

#### 1987 Drilling

During 1987, three drill holes were completed on the north grid area. Holes 1 and 2 tested a portion of the Main Zone, the area of the old mine workings and hole 3 tested mineralization in the old 1981 trench. This mineralization is also known as the Raven Zone. Of the two Main Zone drill holes, one encountered mineralization over an aggregate of 22.52 metres ranging in assays from trace to 5.11 grams/ton. The other encountered mineralization over an aggregate of 4.5 metres assays ranging in assays from trace to 2.71 grams/ton. The hole drilled in the Raven Zone encountered mineralization over an aggregate of 8.28 metres. Assays sampled from 150 ppb of gold to 580 ppb of gold and 11 ppm silver to 14 ppm silver. Silver was also encountered in the two holes drilled on the Main Zone.

#### 1988 Trenching

Eleven trenches and two extensions were completed in 1988, seven of which exposed bedrock. Of these trenches, four exposed areas of deeply leached, weathered clay altered volcanic. Gold values were generally low but the samples were moderately to strongly anomalous in copper, zinc, silver and arsenic.

#### 1988 Drilling

During 1988 a total of five drill holes were completed of which three tested the main zone. For details of the intervals of mineralization intercepted and assay results of the samples taken, please refer to the report of Orcan Mineral Associates Ltd. ("Orcan") dated August 15, 1988 which forms part of this Prospectus. Their report is based in part on progress reports prepared by Norex and reviewed by Orcan.

#### Proposed 1988 Work Program

The Hixon Creek Joint Venture Management Committee has approved a 1988 work program and budget presented by Norex as Operator to the Committee. This work is to consist of a program of six to eight drill holes to further test the Main Zone and the East Zone along strike and to depth. Norex has recommended that minimum core size should be NQ to HQ and in the area of the old workings, reverse circulation drilling should be considered. Drill holes should be oriented at 110° or 290° depending on the depth of the target. Further trenching in the area of Trench 4 at Pedley Lake will also be carried out. The anticipated cost of this work is

\$222,000 of which the Issuer's share will be \$115,000. This includes a 15% management fee payable to Norex.

There is no underground or surface plant or equipment located on the Hixon Gold Property; however, underground workings were completed on the property between 1878 and 1939. A summary of this work can be found in Orcan's Report dated August 15, 1988 which forms part of this Prospectus. There is no known body of commercial ore located on the Hixon Gold Property and the program of exploration to be carried out by Norex is an exploratory search for ore. Mineralization in the area consists primarily of gold.

### GRAVEYARD PROPERTY

#### Property Description and Acquisition Particulars

Pursuant to an agreement between Golden Rule Resources Ltd. and the Issuer dated September 1, 1987, the Issuer acquired a 100% working interest in one 12 unit claim covering 740 acres, record number 334(5), situated in the Clinton Mining Division, British Columbia, and known as the Graveyard Property. The claim is in good standing until May 31, 1989. The Issuer paid Golden Rule Resources Ltd. the sum of \$29,233 for its 100% working interest, which amount represented Golden Rule Resources Ltd.'s out of pocket expenses in acquiring and exploring the Graveyard Property to August 30, 1987.

#### Location, Access and Exploration History

The Graveyard Property is situated in the Chilcotin area of southwestern British Columbia approximately 220 kilometres north of Vancouver, British Columbia. Access to the Graveyard property is via helicopter from Williams Lake, or from Goldbridge. Alternate access is via a network of good horse trails and cattle drive routes used by local ranchers. The Graveyard Property was previously explored by Chevron Standard Ltd. in the mid 1970s. Work conducted included wide spaced soil and stream sediment geochemical sampling and reconnaissance geochemical mapping. In 1981, a similar style program was undertaken by Pan Ocean Oil Ltd. (Aberford Resources Ltd.). This latter program confirmed previously reported anomalous gold, copper, arsenic and antimony values in the streams draining the northwesterly trending ridge in the centre of the Graveyard Property. A total of 334 soil samples were collected in 1981 from the Graveyard Property and 22 rock samples. Samples were analyzed for gold by TerraMin Research Labs Ltd. of Calgary, Alberta using a combined fire assay and atomic absorption technique. The rock samples were also analyzed for arsenic by atomic absorption. The soil sampling grid defined a 300 metre by 300 metre anomalous zone open to the southeast. The maximum soil value was 2940 ppb gold

or 0.10 oz. per ton. A total of 13 rock samples were collected within the anomalous zone. Only one rock sample returned an anomalous gold value of 106 ppb.

The Issuer does not intend to spend any of the proceeds of this Offering on the Graveyard Property, but will keep it in good standing for further development.

There is no underground or surface plant or equipment located on the Graveyard Property. There is no known body of commercial ore on the Graveyard Property. Mineralization consists primarily of gold.

### UNIT OFFERING AND PLAN OF DISTRIBUTION

#### Offering

The Issuer by its Agent hereby offers (the "Offering") to the public through the facilities of the Vancouver Stock Exchange 200,000 units (the "Non-Flow-Through Units") of the Issuer, each Non-Flow-Through Unit consisting of one common share and two Series "A" share purchase warrants and 400,000 flow-through units (the "Flow-Through Units") of the Issuer, each Flow-Through Unit consisting of one flow-through common share and two Series "A" share purchase warrants. The Offering will be made in accordance with the rules and policies of the Vancouver Stock Exchange (the "Exchange") on a day (the "Offering Day") determined by the Agent and the Issuer with the consent of the Exchange within a period of 180 days from the date (the "Effective Date") upon which the shares of the Issuer are conditionally listed on the Exchange. The price of the both the Non-Flow-Through Units and the Flow-Through Units (collectively the "Units") is \$0.45 per Unit and was established through negotiations with the Agent.

#### Appointment of Agent

The Issuer, by an agreement dated as of the 27th day of October, 1988 (the "Agency Agreement"), appointed Canarim Investment Corporation Ltd. of 22nd Floor, 609 Granville Street, Vancouver, British Columbia, V7Y 1H2 as its agent ("Agent") to offer the Units through the facilities of the Exchange to the public.

The Agent has agreed to purchase any Units not sold at the conclusion of the Offering. In consideration therefor, the Agent has been granted non-transferable share purchase warrants (the "Agent's Warrant") entitling it to purchase up to 150,000 shares of the Issuer at any time up to the close of business two years from listing of the Issuer's shares on the Exchange. The exercise price of the Agent's Warrant shall be \$0.45 per share during the first year and \$0.52 per share during the second year of the exercise term.

The Agent will receive a commission of \$0,05 per Unit.

The Agent reserves the right to offer selling group participation, in the normal course of the brokerage business to selling groups of other licenced broker-dealers, brokers and investment dealers, who may or may not be offered part of the commissions or bonuses derived from this Offering.

The obligations of the Agent under the Agency Agreement may be terminated prior to the opening of the market of the Offering Day at the Agent's discretion on the basis of its assessment of the state of the financial markets and may also be terminated at any time upon the occurrence of certain stated events.

The Issuer has granted the Agent a right of first refusal to provide future equity financing to the Issuer for a period of 12 months from the Effective Date.

There are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with the Offering.

The directors, officers and other insiders of the Issuer may purchase Units from this Offering and in that event the percentage of shares owned by directors, officers, promoters and controlling shareholders will vary from the percentage figure set out on the cover page hereof.

A portion of this Offering may be sold to persons and companies registered for trading in securities in countries other than Canada and the United States of America, which persons and companies may in turn sell to their clients, and directly to investors situated outside of Canada and the United States of America. Any sale of the Issuer's units sold outside of Canada will be subject to and conducted in accordance with the securities laws of the countries in which the sales are made.

The Vancouver Stock Exchange has conditionally listed the securities being offered pursuant to this Prospectus. The listing is subject to the Issuer fulfilling all the listing requirements of the Exchange on or before June 10, 1989, including prescribed distribution and financial requirements.

### Description of Securities Offered

#### Share Purchase Warrants

The warrants will contain, among other things, anti-dilution provisions and provision for appropriate adjustment of the class, number and price of shares issuable pursuant to any exercise

thereof upon the occurrence of certain events including any subdivision, consolidation or reclassification of the shares, or the payment of stock dividends.

#### Series "A" Warrants

The Series "A" share purchase warrants will be transferable and in bearer form and two such warrants will entitle the holder thereof to purchase one share in the capital of the Issuer at any time up to the close of business two years from the date of the listing of the Issuer's shares on the Exchange at a purchase price of \$0.45 per share in the first year and \$0.52 per share in the second year of the exercise term. The Series "A" share purchase warrants issued as part of the Flow-Through Units do not entitle the holder thereof to purchase flow-through common shares of the Issuer.

#### Agent's Warrants

The Agent's Warrants will have the same terms and conditions as the Series "A" warrants except they will be non-transferable and only one Agent's Warrant is required to purchase one share in the capital of the Issuer.

#### Additional Offering

The Agent's Warrants are distributed to the Agent under this Prospectus. Any Units acquired by the Agent under its guarantee will be distributed under this Prospectus through the facilities of the Exchange at the market price at the time of sale.

#### Flow-Through Offering

With respect to the Flow-Through Unit offering, \$0.45 per flow-through share, being the amount paid by the subscribers for each flow-through share issued as part of a Flow-Through Unit, will constitute an Exploration Fund to be used by the Issuer as described below. Until expended, the Issuer will hold the Exploration Fund in trust for the purchasers of the Flow-Through Units (hereinafter called the "Investors") in an interest-bearing account with a Canadian chartered bank separate from the Issuer's other funds. Any interest accruing on this account will be solely for the benefit of the Issuer and will be added to its working capital.

#### Exploration Fund

The Issuer will use the Exploration Fund to incur expenditures which qualify as Canadian Exploration Expenses ("CEE") as defined in the Income Tax Act (Canada) (the "Act") and which also qualify for addition to the respective Investor's Mining Exploration

Depletion Base as defined in the Regulations to the Act ("Qualified Expenditures"). Refer to the heading "Canadian Federal Income Tax Considerations" on page 24 of this Prospectus for particulars of the Canadian income tax treatment of the disbursement of the Exploration Fund. The Issuer will use its best efforts to spend the Exploration Fund on Qualified Expenditures by February 28, 1989 and to renounce such Qualified Expenditures to Investors effective on or before December 31, 1988. The Issuer covenants to spend any balance of the Exploration Fund remaining on March 1, 1989 on Qualified Expenditures by February 28, 1990 and to renounce such Qualified Expenditures to Investors effective on or before December 31, 1989.

In consideration of the Investor subscribing for Non-Flow-Through Units, the Issuer covenants to issue to the Investor, on closing, one (1) Common Share and two Series "A" share purchase warrants for each Non-Flow-Through Unit subscribed for by the Investor at a subscription price of \$0.45 per Non-Flow-Through Unit. In consideration of the Investor subscribing for Flow-Through Units, the Issuer covenants to issue to the Investor, on closing, one (1) flow-through common share and two Series "A" share purchase warrants for each Flow-Through Unit subscribed for by the Investor at a subscription price of \$0.45 per Flow-Through Unit and to incur Qualified Expenditures to the extent of \$0.45 for each flow-through common share issued to the Investor as part of a Flow-Through Unit and to renounce to the Investor before March 31, 1989 and effective on or before December 31, 1988, Qualified Expenditures incurred by the Company on or before February 28, 1989 in the amount of \$0.45 per flow-through common share and to renounce to the Investor before March 31, 1990 and effective on or before December 31, 1989, Qualified Expenditures incurred by the Company on or after March 1, 1989, if any, in the amount of \$0.45 per flow-through common share all pursuant to subsection 66(12.6) of the Income Tax Act (Canada).

Both the Flow-Through Units and the Non-Flow-Through Units will be issued by the Issuer to the subscribers within 10 business days of the Offering Day. The subscription funds advanced for the Non-Flow-Through Units will be used to pay the Agent's commissions and expenses of the Offering.

#### How to Subscribe

Persons who wish to subscribe for Flow-Through Units must execute a Subscription Form in the form delivered with this Prospectus and deliver same, together with a cheque, bank draft or money order payable to the Issuer or the Agent within five business days of the Offering Day. Persons who wish to subscribe for Non-Flow-Through Units need not complete the Subscription Form.

## RISK FACTORS

The Units offered by this Prospectus must be considered speculative, generally because of the nature of the Issuer's business. In particular:

1. There is no established market for the securities of the Issuer.
2. Exploration for minerals is a speculative venture necessarily involving some substantial risk. There is no certainty that the expenditures to be made by the Issuer in the acquisition of the interests described herein will result in discoveries of commercial quantities of ore.
3. The mining industry in general is intensely competitive and there is no assurance that even if commercial quantities of ore are discovered, a ready market will exist for the sale of same. Factors beyond the control of the Issuer may affect the marketability of any substances discovered.
4. There is no known body of ore on the Issuer's mineral properties. The purpose of the present offering is to raise funds to carry out further exploration with the objective of establishing ore of commercial tonnage and grade. If the Issuer's exploration programs are successful, additional funds will be required for the development of an economic ore body and to place it in commercial production. The only source of future funds presently available to the Issuer is through the sale of equity capital. The only alternative for the financing of further exploration would be the offering by the Issuer of an interest in its property to be earned by another party or parties carrying out further exploration or development thereof, which is not presently contemplated.
5. The existence of title opinions should not be construed to suggest that the Issuer has good and marketable title to all of the properties described in this Prospectus. The Issuer follows the usual industry practice of obtaining title opinions with respect to its properties.
6. After giving effect to this issue, the offering price per share exceeds the net tangible book value as at June 30, 1988, per common share by \$0.2625 representing a dilution factor of 58.33%.
7. This Offering is based upon the current provisions of the Income Tax Act (Canada). No assurance can be given that the income tax laws or the administrative practice of Revenue Canada, Taxation will not be changed in a manner which will



fundamentally alter the tax consequences of holding or disposing of Non-Flow-Through Units or Flow-Through Units. The Issuer intends to use the entire proceeds of the offering of Flow-Through Units to incur Qualified Expenditures but there is a risk that expenses incurred by the Issuer may not qualify as CEE or may not qualify for MEDA, or that the amount of CEE which may be renounced by the Issuer may be reduced by other events, which may eliminate or reduce the return on an investment in such securities.

8. There is no assurance that the Issuer will be able to use the entire proceeds of the offering of Flow-Through Units to incur Qualified Expenditures which qualify as CEE or MEDA effective on or before December 31, 1988. To the extent that Qualified Expenditures are not incurred in time, the Issuer will be unable to renounce same to investors for deduction in the 1988 tax year.

#### USE OF PROCEEDS

The net proceeds to be derived by the Issuer is the sum of \$240,000, which together with working capital of approximately \$97,000 as at the date of this Prospectus shall be spent in order of priority as follows:

|  |                         |
|--|-------------------------|
| 1. To pay for the balance of the costs of this issue estimated at                                      | \$ 16,000               |
| 2. To pay for the Issuer's 50% share of the costs of the 1988 Work Program on the Hixon Creek Property | \$115,000               |
| 3. Reserve for additional Canadian Exploration Expenses  | \$ 65,000               |
| 4. Reserve for general corporate purposes  | <u>\$141,000</u>        |
| <b>TOTAL:</b>  | <b><u>\$337,000</u></b> |

Any proceeds from the exercise of the Series "A" Warrants or Agent's Warrants will be used for general corporate purposes.

No part of the proceeds will be used to invest, underwrite or trade in securities other than those that qualify as an investment in which trust funds may be invested under the laws of the jurisdiction in which the securities offered by this Prospectus may be lawfully sold. Should the Issuer intend to use the proceeds to acquire other than trustee type securities after the distribution of the securities offered by this Prospectus, approval by the shareholders of the Issuer must first be obtained and notice of the intention must be filed with the regulatory

securities bodies having jurisdiction over the sale of the securities offered by this Prospectus.

The above use of proceeds reflects the current intention of the Issuer based on information currently available to the Issuer and on current circumstances, economic and otherwise. However, subject to the requirement to incur CEE pursuant to the Subscription Agreements, the Issuer may, pursuant to the recommendations of a qualified engineer or geologist, abandon in whole or in part its present properties, or alter, as work progresses, the work programs recommended on its properties, or make arrangements for the performance of all or a portion of such work by other persons or companies. The Issuer may use any monies so diverted for the purpose of acquisition, lease costs, geological expenses and initial work on other properties. The Issuer will file notice of diversion of funds with the Superintendent of Brokers and, if listed, with the Exchange, and where applicable, will file acceptable engineering or geological reports recommending expenditure of diverted monies.

In the event of any material change in the affairs of the Issuer during the primary distribution of the securities offered by this Prospectus, an amendment to this Prospectus will be filed. Following completion of the primary distribution of the securities offered by this Prospectus, shareholders will be notified of changes in the affairs of the Issuer in accordance with the requirements of the appropriate securities regulatory authorities.

#### DESCRIPTION OF SHARES

The authorized capital of the Issuer consists of an unlimited number of Common shares without par value. As at the date of this Prospectus, 2,690,900 Common shares were issued and outstanding.

All common shares of the Issuer, both issued and unissued, rank equally as to dividends and participation in assets. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provision for redemption, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to the modifications, amendments or variations of such rights or such provisions are contained in the Business Corporations Act of the Province of Alberta.

**SHARE AND LOAN CAPITAL STRUCTURE**

| <u>Designation of Security</u> | <u>Amount Authorized</u> | <u>Amount Outstanding as at June 30, 1988 (date of Balance Sheet in the Prospectus)</u> | <u>Amount Outstanding as at the date of this Prospectus</u> | <u>Amount Outstanding upon completion of this issue</u> |
|--------------------------------|--------------------------|---|---|---|
| Common Shares                  | Unlimited                | 2,690,900   | 2,690,900   | 3,290,900 <sup>(1)(2)</sup>                             |

- (1) If the Series "A" share purchase warrants are exercised by the holders thereof, there will be 3,890,900 shares issued and outstanding. If the Agent's Warrants are also exercised by the Agent, there will be an additional 150,000 shares issued for a total of 4,040,900 shares issued and outstanding.
- (2) The Issuer has reserved 310,000 shares for issuance upon exercise of director's and employee's stock options. See the heading "Options to Purchase Securities" herein for details.

**PRIOR SALES**

During the period from incorporation of the Issuer on October 10 1986, to the date of this Prospectus, the Issuer sold the following shares for cash\*:

| <u>Number of Shares</u> | <u>Price Per Share</u> | <u>Commissions Paid</u> | <u>Net Cash Received</u> |
|-------------------------|------------------------|-------------------------|--------------------------|
| 600,100                 | \$0.25                 | Nil                     | \$150,025.00             |
| 750,000                 | \$0.01                 | Nil                     | \$ 7,500.00              |
| <u>1,350,100</u>        |                        |                         | <u>\$157,525.00</u>      |

\* The Issuer has issued a further 1,340,800 shares for property and which are owned by Golden Rule Resources Ltd. See the heading "Description of Business and Property of the Issuer". Of these shares, 1,217,732 are held in escrow. See the heading "Escrowed Shares" for further details.

**SALES OTHERWISE THAN FOR CASH**

No securities are being offered under this Prospectus otherwise than for cash.

**DIRECTORS AND OFFICERS**

The names, addresses and principal business or occupations of which each of the Directors and Officers of the Issuer have been engaged during the immediately preceding five years are as follows:

| <u>Name and Address</u>  | <u>Positions Held</u>      |
|--|----------------------------|
| GLEN HARVEY HARPER*<br>Box 20, Site 10, S.S. #3<br>Calgary, Alberta<br>T3H 1A3           | PRESIDENT AND<br>DIRECTOR  |
| ROBERT JAMES LEMMON*<br>408 Coachlight Bay, S.W.<br>Calgary, Alberta<br>T3H 1Z2          | DIRECTOR                   |
| ROBERT S. EDMUNDS<br>#13<br>828 Coachbluff Cres. S.W.<br>Calgary, Alberta<br>T3H 1A8     | SECRETARY AND<br>TREASURER |
| LES M. BITZ<br>243 - 23rd Avenue<br>Calgary, Alberta<br>T2M 1S3                          | ASSISTANT<br>SECRETARY     |
| GEORGE LAWRENCE LAHUSEN*<br>TH1, 1200 Sixth Street, S.W.,<br>Calgary, Alberta<br>T2R 1H3 | DIRECTOR                   |

\* denotes member of Audit Committee

**MANAGEMENT BACKGROUND**

GLEN H. HARPER is a Director, President and Chairman of the Board of the Company. He is a member in good standing of the Association of Professional Engineers and Geologists in the Province of Alberta. Mr. Harper graduated from the University of Alberta in 1965 with a B.Sc. in Geology and subsequently obtained a B.A. and M.A. in Economics and Finance from the same institution. Shortly after graduating, he worked as a Mining Analyst and Portfolio Manager, and from 1974 to 1978 he was Portfolio Manager for Kozsec and Associates, Investment Counsellors. From 1975 to the present, Mr. Harper founded a number of resource based public companies, including Golden Rule

Resources Ltd. and Manson Creek Resources Ltd. Mr. Harper is currently associated with the following public companies: Golden Rule Resources Ltd. (Toronto Stock Exchange), Manson Creek Resources Ltd. (Vancouver Stock Exchange), Northern Abitibi Mining Corp. and Tyler Resources Inc. (Toronto Stock Exchange and Montreal Exchange) and Indigo Gold Mines Inc. (Alberta Stock Exchange).

During the past five years Mr. Harper has been primarily engaged in acting as a Director and President of Golden Rule Resources Ltd., Manson Creek Resources Ltd., Northern Abitibi Mining Corp. and Tyler Resources Inc.

ROBERT JAMES LEMMON is a director of the Company. Mr. Lemmon is a self-employed consultant. He is a member in good standing of the Institute of Chartered Accountants of Alberta and Ontario. Mr. Lemmon graduated from the University of Windsor in 1970 with an Honours B.A. in Economics and subsequently earned his Chartered Accountants designation in Ontario (1974) and Alberta (1976). From January 1984 to June 30, 1987, Mr. Lemmon was a partner with Pannell Kerr MacGillivray, Chartered Accountants and a manager from September 1981 to December 1983. From 1970 to September 1981, Mr. Lemmon worked with Thorne Riddell, Chartered Accountants, and was a manager at the time that he left. Mr. Lemmon is currently associated with the following public companies: Manson Creek Resources Ltd. (Vancouver Stock Exchange), Northern Abitibi Mining Corp. and Tyler Resources Inc. (Toronto Stock Exchange and Montreal Exchange) and Indigo Gold Mines Inc. (Alberta Stock Exchange).

ROBERT SCOTT EDMUNDS is the Secretary/Treasurer of the Company. Mr. Edmunds graduated from the University of Calgary in April of 1981, with a Bachelor of Commerce Degree. For the last year, Mr. Edmunds has been a self-employed accountant, and prior to that was employed as an accountant on a contract basis to Golden Rule Resources Ltd. for the period October, 1983 to October, 1986.

LES M. BITZ is the Assistant Secretary of the Company. Mr. Bitz graduated from the University of Saskatchewan in Saskatoon in April of 1973, with a Bachelor of Commerce Degree. For the last 4 years Mr. Bitz has been a self-employed accountant and prior to that was employed by Taiga Consultants Ltd. as Chief Accountant for the period February, 1981 to January, 1983. Mr. Bitz is currently associated with the following public companies: Golden Rule Resources Ltd. (Toronto Stock Exchange), Manson Creek Resources Ltd. (Vancouver Stock Exchange), Naneco Resources Ltd. (the Alberta Stock Exchange), Tyler Resources Inc. and Northern Abitibi Mining Corp.

GEORGE LAWRENCE LAHUSEN is a Director of the Company. Mr. Lahusen is a self-employed consulting professional geologist

practicing in the United States. Mr. Lahusen received a degree in Geology from the University of New Mexico in Albuquerque, New Mexico. Mr. Lahusen is currently associated with the following public companies: Golden Rule Resources Ltd., Manson Creek Resources Ltd., Northern Abitibi Mining Corp. and Tyler Resources Inc. In the last five years Mr. Lahusen has been primarily involved in the capacity of consulting geologist from February 1976, to the present.

### Conflicts of Interest

Certain of the directors and officers of the Issuer are also directors, officers and shareholders of other companies engaged in mineral exploration and development and conflicts of interest may arise between their duties as directors of the Issuer and as directors of other companies. All such possible conflicts will be disclosed in accordance with the requirements of applicable law and the directors concerned will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed on them by law.

### EXECUTIVE COMPENSATION

#### EXECUTIVE COMPENSATION IN THE FORM OF CASH

There are three (3) executive officers of the Issuer being the President, Secretary and Assistant Secretary. No cash compensation has been paid to the Issuer's executive officers by the Issuer for services rendered during the period commencing on the date of incorporation and ending on November 18, 1988, the date of this Prospectus.

#### PLANS OF EXECUTIVE COMPENSATION

Except as disclosed in this Prospectus, neither cash nor non-cash compensation was paid or distributed to executive officers of the Issuer pursuant to any plan of executive compensation.

The following options to purchase securities were granted to the executive officers of the Issuer during the period commencing on the date of incorporation and ending on November 18, 1988, the date of this Prospectus:

| <u>Name of Officer</u> | <u>Position With The Issuer</u>                 | <u>Number and Class of Securities Under Option</u> | <u>Expiry Date Of Option</u>                       | <u>Exercise Price Of Option</u> |
|------------------------|---|--|--|---------------------------------|
| Glen H. Harper         | President, Director and Chief Executive Officer | 100,000 Common                                     | 5 years from the Effective Date of this Prospectus | \$0.45                          |

|                   |   |                  |  |        |
|-------------------|---|------------------|--|--------|
| Robert S. Edmunds | Secretary,<br>Treasurer and<br>Chief Financial<br>Officer | 35,000<br>Common | 5 years<br>from the<br>Effective<br>Date of this<br>Prospectus | \$0.45 |
| Les M. Bitz       | Assistant<br>Secretary                                    | 25,000<br>Common | 5 years<br>from the<br>Effective<br>Date of this<br>Prospectus | \$0.45 |

#### **OTHER EXECUTIVE COMPENSATION**

Except as disclosed in this Prospectus no other executive compensation was paid to the executive officers of the Issuer during the period commencing on the date of incorporation and ending on November 18, 1988, the date of this Prospectus.

#### **EXECUTIVE COMPENSATION IN VIEW OF TERMINATION OF EMPLOYMENT OR CHANGE OF CONTROL**

There is no plan or arrangement in respect of executive compensation received or that may be received by executive officers period commencing on the date of incorporation and ending on November 18, 1988, the date of this Prospectus, which is intended to compensate the Issuer's executive officers in the event of termination of employment (resignation, retirement or change of control).

#### **COMPENSATION OF DIRECTORS**

No cash or non-cash compensation was paid or payable to any of the directors of the Issuer either directly or pursuant to a plan or arrangement, other than the granting of directors' incentive stock options (see heading "Options to Purchase Securities" below).

#### **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

As at the date of this Prospectus, none of the Directors or Senior Officers of the Issuer is or ever has been indebted to the Issuer.

#### **OPTIONS TO PURCHASE SECURITIES**

Pursuant to agreements dated September 30, 1987 (the "Option Agreements"), the Issuer has granted options to the following Directors and Employees of the Issuer, in such number of shares set opposite the name of each such Director and Employee:

| <u>Name of Optionee</u> | <u>No. and Class of Shares</u> | <u>Nature of Option</u> | <u>Option Price</u> |
|-------------------------|--------------------------------|-------------------------|---------------------|
| Glen H. Harper          | 100,000 Common                 | Employee                | \$0.45              |
| G. Lawrence Lahusen     | 100,000 Common                 | Director                | \$0.45              |
| Robert S. Edmunds       | 35,000 Common                  | Employee                | \$0.45              |
| Robert J. Lemmon        | 50,000 Common                  | Director                | \$0.45              |
| Les M. Bitz             | 25,000 Common                  | Employee                | \$0.45              |

The options are exercisable for a period of 5 years from the Effective Date set out on the front cover of this Prospectus. Except as otherwise disclosed herein, there are no options to purchase securities of the Issuer.

#### PRINCIPAL HOLDERS OF SECURITIES

As of the date of this Prospectus, the following table sets forth the number of shares owned of record or beneficially, directly or indirectly, by each person who owns more than 10% of the Issuer's shares:

| <u>Name and Address</u>   | <u>Type of Ownership</u> | <u>Designation of Class</u> | <u>Number of Shares</u> | <u>Percentage of Shares Outstanding</u> |
|---|--------------------------|-----------------------------|-------------------------|---|
| Golden Rule Resources Ltd.<br>Suite 410<br>1122 - 4th Street, S.W.<br>Calgary, Alberta<br>T2R 1M1 | Beneficial               | Common                      | 2,090,900               | 77.70%                                  |

As of the date of this Prospectus, the following table sets forth the percentage of shares of each class of equity shares of the Issuer beneficially owned, directly or indirectly, by all Directors and Senior Officers, as a group:

| <u>Designation of Class</u> | <u>Percentage of Class</u> |
|-----------------------------|----------------------------|
| Common                      | 4.88%*                     |

Associates of the Agent, Canarim Investment Corporation Ltd., have purchased 50,000 common shares of the Issuer at a price of \$0.25 per share.

\* Upon completion of this Offering, this percentage will be 4.0%.

#### ESCROWED SHARES

As of the date of this Prospectus 750,000 common shares (the "Principals' Shares") are held in escrow by the Montreal Trust Company of Canada of 510 Burrard Street, Vancouver, British Columbia, subject to the direction or determination of the



Superintendent of Brokers (the "Superintendent") or, in the event that the Issuer is listed for trading on the Vancouver Stock Exchange (the "Exchange"), of the Exchange. The escrow restrictions provide that the Principals' Shares may not be traded in, dealt with in any manner whatsoever, or released, nor may the Issuer, its Transfer Agent or Escrow Holder make any transfer or record any trading of the Principals' Shares without the consent of the Superintendent or the Exchange, as the case may be. However, the Principals' Shares may be released at the discretion of the Superintendent or Exchange, as the case may be, in accordance with applicable policy.

The complete text of the escrow agreement respecting the Principals' Shares is available for inspection at the office of the Montreal Trust Company of Canada, 510 Burrard Street, Vancouver, British Columbia.

In addition, a further 1,217,732 Common Shares are, as of the date of this Prospectus, held in escrow by the Montreal Trust Company of Canada, 510 Burrard Street, Vancouver, British Columbia, subject to the direction or determination of the Superintendent of Brokers (the "Superintendent") or, in the event that the Issuer is listed for trading on the Vancouver Stock Exchange (the "Exchange"), of the Exchange. These shares are herein called the "Property Escrow Shares". The escrow restrictions applicable to the Property Escrowed Shares provide that the said shares may not be traded in, dealt with in any manner whatsoever, or released nor may the Issuer, its Transfer Agent or may the escrow holder make any transfer or record any trading of the Property Escrow Shares without the consent of the Superintendent or the Exchange as the case may be; however, the Escrow Agreement applicable to the Property Escrow Shares provides that the said shares may be released on the basis of \$0.45 of net proceeds of production (as defined in the Escrow Agreement) from the Hixon Creek Property attributable to the Issuer's interest after recovery of all acquisition, exploration and development expenses incurred by the Issuer.

The complete text of the Escrow Agreement respecting the Property Escrow Shares is available for inspection at the office of the Montreal Trust Company of Canada, 510 Burrard Street, Vancouver, British Columbia.

| <u>Designation of Class</u>  | <u>Number of Shares Held in Escrow</u> | <u>Percentage of Class</u> |
|--|--|----------------------------|
| Common   | 1,967,732                              | 73.12%                     |
| * Upon completion of this Offering, this percentage will be 59.79% |  |                            |

#### POOLED SHARES

None of the Issuer's shares is held in pool.

**DIVIDEND RECORD**

The Issuer has not, since the incorporation of the Issuer on October 10, 1986, paid any dividends on any of its shares. The Issuer has no present intention to pay dividends, but the future dividend policy will be determined by the Board of Directors on the basis of earnings, financial requirements and other relevant factors.

**PROMOTERS**

By virtue of the definition as set out in Section 1(1) of the Securities Act (British Columbia), Golden Rule Resources Ltd. is the Promoter of the Issuer.

The Promoter has received no remuneration except as disclosed herein under the heading "Description of Business and Property".

The Promoter has acquired the following common shares in the capital of the Issuer:

| <u>Number of Shares</u> | <u>Price Per Share</u>  |
|-------------------------|---|
| 750,000                 | \$0.01 - escrowed<br>(Principals' Shares)                                 |
| 100                     | \$0.25 - free trading   |
| 123,068                 | \$0.25 - non-escrowed (for<br>property)                                   |
| 1,217,732               | 882,532 escrowed (deemed<br>\$0.1757 per share-<br>acquired for property) |
|                         | 335,200 escrowed (deemed<br>\$0.1757 per share-<br>acquired for property) |

**PENDING LEGAL PROCEEDINGS**

The Issuer is not a party with respect to any legal proceedings.

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Directors and Senior Officers of the Issuer have no interest in any material transactions in which the Issuer has participated or intends to participate at this time, save and except as disclosed in this Prospectus and, in particular, those matters disclosed under the heading "Description of Business and Property".

### MATERIAL CONTRACTS

The only material contracts entered into by the Issuer are as follows:

1. The Agency Agreement referred to under the heading "Unit Offering and Plan of Distribution" on page 8 hereof.
2. The Escrow Agreements referred to under the heading "Escrowed Shares" on page 20 hereof.
3. The Stock Option Agreements referred to under the heading "Options to Purchase Securities" on page 19 hereof.
4. The Hixon Creek Agreement between the Issuer, Golden Resources Ltd. and Touchstone Investments Ltd. referred to under the heading "Description of Business and Property of the Issuer" on page 1 hereof.
5. Norex Option Agreement between the Noranda Exploration Company Limited and Golden Rule Resources Ltd. referred to under the heading "Description of Business and Property of the Issuer" on page 1 hereof.
6. Option Assignment Agreement between the Issuer, Golden Rule Resources Ltd. and Noranda Exploration Company Limited referred to under the heading "Description of Business and Property of the Issuer" on page 1 hereof.
7. Graveyard Property Agreement between the Issuer and Golden Rule Resources Ltd. referred to under the heading "Description of Business and Property of the Issuer" on page 1 hereof.

Copies of the foregoing may be examined at 12th floor, 1190 Hornby Street, Vancouver, B.C., V6Z 2L3 during ordinary business hours for the period of distribution of the Shares.

### OTHER MATERIAL FACTS

Golden Rule Resources Ltd., the Promoter of the Issuer, and its affiliates have raised approximately \$11,600,000 through "flow-through" private placement exploration agreements with limited partnerships since 1986. In order to satisfy the reporting requirements of both Revenue Canada, Taxation and the limited partnerships including specific identification of expenditures and the funding thereof, Golden Rule Resources Ltd. has developed an internal system to monitor expenditures, the funding thereof and the timely preparation and submission of documentation to Revenue Canada, Taxation, the securities regulatory authorities and the limited partnerships. The Issuer has implemented the same system in order to ensure that the proceeds derived from the Flow-Through Units are spent in a

manner which will qualify for the deduction of CEE and/or MEDA. Robert J. Lemmon, a director of the Issuer, is responsible for implementing and monitoring this system.

There are no material facts relating to the offering of securities under this Prospectus other than as disclosed herein.

#### LEGAL MATTERS

Legal matters in connection with the offering of the Units will be passed upon on behalf of the Issuer by Casey, O'Neill & Bence, Barristers & Solicitors.

#### AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors for the Issuer are Messrs. Pannell, Kerr, MacGillivray, Chartered Accountants of Suite 2400, 125 - 9th Avenue, S.E., Calgary, Alberta, T2G 0P6.

The Registrar and Transfer Agent for the Issuer is the Montreal Trust Company of Canada, of 510 Burrard Street, Vancouver, British Columbia.

#### CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The Canadian federal income tax considerations applicable to an investment in Flow-Through Units and Non-Flow-Through Units will vary depending on a number of factors including the legal characterization of the subscriber as an individual, corporation, trust or partnership, and the province or territory in which he resides, carries on business or has a permanent establishment. The income tax consequences applicable to an investment in Flow-Through Units may also vary depending upon the amount that would be the subscriber's taxable income but for his investment in the Flow-Through Units and the manner in which the net proceeds of this issue are expended. The following summary is limited to the Canadian federal income tax considerations generally applicable to a subscriber who is resident in Canada, acquires and holds the common shares, "flow-through" common shares (collectively referred to as the "Shares") and the Series "A" share purchase warrants (the "Warrants") as capital property and deals at arm's length with the Issuer for purposes of the Income Tax Act (Canada) (the "Act"). This summary is not applicable to subscribers who are "principal business corporations" within the meaning of the Act or who are traders or dealers in petroleum or mineral rights.

This summary is based upon the current provisions of the Act (including certain recently enacted tax reform proposals), the regulations thereunder (the "Regulations") and counsel's understanding of the current administrative practices of Revenue Canada, Taxation. This summary also takes into account all specific proposals to amend the Act and Regulations announced by

the Minister of Finance from June 2, 1987 to the date hereof by way of press release or announcement in the House of Commons (the "Proposed Amendments"). This summary does not assume that the Proposed Amendments will be enacted as proposed, but where such proposals are relevant to this summary their proposed effect is summarized. No assurance can be given that the Proposed Amendments will be enacted in their present form or at all. Except for the Proposed Amendments, this summary assumes there are no other relevant amendments of any governing law and does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action and nor does it consider the potential applicability of the income tax laws of any province or territory in Canada or of any foreign country.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular subscriber. It is impractical to comment on all aspects of federal income tax laws which may have relevance to a subscriber. Accordingly, each prospective purchaser of Units is urged to consult a tax advisor knowledgeable in these areas regarding the income tax consequences of investing in the Units with reference to his own particular circumstances.

Subject to the foregoing, in the opinion of Code Hunter, special tax counsel to the Issuer, the following is, as of the date hereof, a fair and adequate summary of certain of the significant Canadian federal income tax considerations to a subscriber of an investment in the Units.

### General

The Act contains provisions whereby a principal business corporation that incurs Canadian exploration expense ("CEE") with funds received from a subscriber under an agreement for the issue of shares of the corporation will be entitled to renounce such CEE to the subscriber. The corporation renouncing the CEE must be a "principal-business corporation" and the shares issued by the corporation must not be "prescribed shares" all within the meaning of the Act. The Issuer has undertaken that it is, and at all material times will be, a principal business corporation and that its Shares, when issued, will not be prescribed shares.

Certain CEE eligible for mining exploration depletion allowance incurred within 60 days after the end of the calendar year by the Issuer and renounced to subscribers will be deemed to have been incurred in that year, provided certain conditions contained in the Act are met, including that no CEE be attributable, directly or indirectly, to a subscriber who does not deal at arm's length with the Issuer.

The Issuer will provide each subscriber with the necessary information with respect to CEE renounced to a subscriber for

purposes of filing income tax returns; however, the preparation and filing of the return will be the responsibility of each subscriber.

### Canadian Exploration Expense

The gross proceeds of the issue of the "flow-through" common shares will be used by the Issuer on its own account to incur CEE which the Issuer will renounce to subscribers to the extent permitted by and in accordance with the Act. Such CEE as is properly renounced to a subscriber will be deemed to have been incurred by that subscriber on the effective date of the renunciation. The acquisition of the common shares which are not "flow-through" common shares or exercise of the Warrants to acquire common shares will not entitle the subscriber to any deductions.

CEE deemed to have been incurred by a subscriber will be added to his cumulative Canadian exploration expense ("CCEE") account. A subscriber may deduct in computing his income from all sources for a taxation year such amount as he may claim not exceeding 100% of the balance of his CCEE account at the end of that taxation year. A subscriber must reduce his CCEE account by the amount of deductions claimed by the subscriber and by the amount of any assistance that the subscriber had received or is entitled to receive in respect of the CEE renounced to him by the Issuer. To the extent that a subscriber does not deduct the balance of his CCEE account at the end of the taxation year, the balance will be carried forward and the subscriber will be entitled to claim deductions in respect thereof in subsequent taxation years in accordance with the provisions of the Act.

Where the balance in a subscriber's CCEE account is negative at the end of his taxation year, which may occur should the subscriber receive or become entitled to receive assistance payments in that taxation year which relates to CEE incurred in a prior year or through various adjustments to his CCEE account, the negative amount must be included in the income of the subscriber for that taxation year and his CCEE account will thereafter have a nil balance.

The computation of the amount that the Company will be entitled to renounce to subscribers for "flow-through" common shares is complex. Generally speaking, the Issuer will be entitled to renounce the amount of otherwise deductible CEE incurred by it from the date that subscriptions for "flow-through" common shares are accepted less any previous renunciations with respect to that CEE, any portion of that CEE which is prescribed under the Regulations as relating to overhead plus any assistance that the Issuer has received, is entitled to receive, or may reasonably be expected to receive at any time which is reasonably related to that CEE. The Issuer may not renounce to subscribers an amount in excess of the amount paid by the subscribers for the "flow-

through" common shares. Further, the Issuer will not be entitled to renounce CEE to the extent that such renunciation, if effective, would cause the Issuer's own CCEE account to be a negative amount. In addition, as a condition to any renunciation being effective, certain administrative requirements under the Act must be met including the timely filing of the prescribed form of renunciation by the Issuer and the filing of this prospectus with Revenue Canada.

**Mining Exploration Depletion Allowance ("MEDA")**

A subscriber is entitled to deduct from his income from all sources, without restriction to resource profits, MEDA based on eligible CEE incurred or deemed to be incurred by him equal to the lesser of:

- (a) 25% of his net income for the year (after deducting, among other things, CEE but computed on the assumption that no deductions were allowed for certain resource allowances) in excess of the aggregate amounts deducted by the subscriber as earned depletion allowance, frontier exploration allowance and supplementary depletion allowance within the meaning of the Regulations, and
- (b) his mining exploration depletion base as of the end of the year (before deducting MEDA for the year).

Currently under the Act, 33 1/3% of the CEE renounced by the Issuer to the subscriber (to the extent it was an expense incurred for the purpose of determining the existence, location, extent or quality of a mineral resource in Canada, other than an expense that was in respect of financing or overhead) will qualify for additions to the subscriber's "mining exploration depletion base". A subscriber must reduce his mining exploration depletion base by the amount of any assistance or benefit, government sponsored or otherwise that any person receives, is entitled to receive or at any time becomes entitled to receive, in respect of the CEE which gave rise to the addition to such base. This reduction is deemed to be effective under the Regulations at the time the CEE was incurred, even if the entitlement to the assistance arises after that date.

Under the Proposed Amendments, MEDA is to be phased out by reducing the rate at which it may be earned by individuals, through participation in partnerships and flow-through share arrangements, from 33 1/3% to 16 2/3% for eligible expenditures incurred after December 31, 1988 and by eliminating the ability to earn depletion on expenditures made after December 31, 1989. The Proposed Amendments also provide that the rate at which MEDA may be earned by a corporation will be reduced from 33 1/3% to 16 2/3% for eligible expenditures incurred after June 30, 1988 and before 1990. Expenditures made after 1989 will not give rise

to any MEDA. The Proposed Amendments, if implemented, will not affect the ability of a subscriber to make deductions in respect of depletion earned before 1990. In addition, CEE incurred after December 31, 1988 which is eligible for incentives under the recently announced Canadian Exploration Incentive Program will not be eligible for MEDA. The Issuer has undertaken to use its best efforts to incur and renounce CEE eligible for MEDA effective on or before December 31, 1988.

### Warrants

Purchasers of the Flow-Through Units and Non-Flow-Through Units will be required to allocate the price paid for each such Unit on a reasonable basis among the Shares and the Warrants in order to determine their respective costs for tax purposes. The administrative practice of Revenue Canada is that the allocation made by the issuer and that made by a purchaser must be the same. As set forth herein, the entire subscription price for each Unit will be payable for the Shares and no portion of the subscription price will be applied by the Issuer to the Warrants. It is the opinion of the Issuer that the Warrants have no value and as such the Issuer, for its purposes, proposes to allocate \$0.45 of the subscription price for Units to the Share and no portion of the subscription price to the two Warrants. Such allocation will not be binding on Revenue Canada.

No gain or loss will be realized by a holder of Warrants (the "Warrantholder") upon the exercise of such Warrants. When Warrants are exercised, the initial cost of the common shares acquired thereby to the Warrantholder will be the aggregate of the adjusted cost base of the Warrants and the exercise price paid for the common shares. If a Warrantholder disposes of a Warrant, the holder will realize a capital gain (or a capital loss) upon such disposition to the extent that the proceeds of disposition of the Warrant, net of disposition costs, exceed (or are exceeded by) the adjusted cost base of the Warrant. Upon the expiry of an unexercised Warrant, the Warrantholder will realize a capital loss equal to the adjusted cost base of the Warrant. (See "Disposition of Common Shares" below concerning treatment of capital gains and losses).

### Disposition of Shares

Any disposition or deemed disposition of Shares which are held as capital property by a subscriber (other than a disposition to the Issuer) will generally result in the realization of a capital gain or capital loss equal to the amount by which the proceeds of disposition thereof exceed or are less than, respectively, the aggregate of the adjusted cost base of such Shares and reasonable expenses incurred by the subscriber for the purposes of making the disposition. The "flow-through" common shares issued to a subscriber under this offering will be deemed to have been acquired by the subscriber for an initial cost of nil. The Act



provides that all shares of the same class of the capital stock of a corporation held by a shareholder will have an adjusted cost base equal to the total cost of all such shares (after taking into account any adjustments to the cost base) divided by the number of such shares held. Therefore, if a subscriber acquires both "flow-through" common shares and common shares of the Issuer pursuant to this offering, these rules will operate to average the cost of the "flow-through" common shares and the common shares. If a subscriber disposes of his "flow-through" common shares (except on a deemed disposition of such shares resulting from the death of a subscriber) the Issuer may still renounce to the subscriber his share of CEE.

A proportion of any capital gain (a taxable capital gain) resulting from a disposition must be included in computing the income of a taxpayer for the year in which the disposition takes place, while a proportion of any capital loss (an allowable capital loss) may be deducted by a taxpayer from taxable capital gains for the year, any of the three preceding years, or any subsequent year, subject to the detailed provisions of the Act in that regard. The proportion of capital gain or loss required to be included in computing a taxpayer's taxable capital gain or allowable capital loss will be increased to 2/3 of such capital gains or losses realized in 1988 and 1989 by individuals and Canadian controlled private corporations (and realized after June 30, 1988 by other corporations) and to 3/4 of such gains or losses realized by all taxpayers after 1989. Those corporations whose taxation years straddle the effective dates for such rate changes will be required to pro rate their capital gains or losses realized in such taxation years accordingly.

The Act provides that individuals, other than trusts, are granted a cumulative lifetime exemption from tax on \$100,000 of capital gains from the disposition of most types of property in the form of a special deduction in computing taxable income. In addition, taxable capital gains eligible for the exemption in a year are reduced by the amount of the taxpayer's "cumulative net investment loss" at the end of the year. An individual's cumulative net investment loss at the end of a year is the amount by which his investment expenses deducted for the year and all prior years commencing after 1987 exceed his investment income for those years. An individual's investment expenses for a year includes interest expense with respect to investment property, certain partnership losses, losses from renting or leasing real property and 50% of resource deductions attributable to flow-through shares or certain partnerships. An individual's investment income for a year includes interest, taxable dividends and certain partnership income.

The availability of the capital gains exemption is subject to significant restrictions, qualifications and broad anti-avoidance provisions and a subscriber should consult his income tax

advisors as to the availability of the capital gains exemption in his particular circumstances.

#### Income Tax Instalments

A subscriber who is an employee and who thereby has income tax withheld at source from employment income may prepare a submission to his relevant district office of Revenue Canada requesting a reduction in such withholding at source by an employer. Revenue Canada has a discretionary power to grant or deny such request.

A subscriber who is required to pay income tax on an instalment basis may take into account his share of CEE in determining his instalment payments.

#### Minimum Tax

Under the Act, tax payable by an individual and by a trust other than a related segregated fund trust or a mutual fund trust will be the greater of tax otherwise determined and an alternative minimum tax. In calculating adjusted taxable income for the purposes of determining the minimum tax, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise included, such as 1/3 (decreasing to 1/4 as discussed above) of net capital gains exempt under the cumulative lifetime capital gains exemption, and the full amount of other net capital gains, are included. In computing adjusted taxable income for minimum tax purposes, a \$40,000 exemption is provided. The federal rate of minimum tax is a flat 17%. Whether and to what extent the tax liability of a particular purchaser will be increased by the minimum tax will depend upon the amount of his income, the sources from which it is derived and the nature and amount of any deductions that he claims. Any additional tax payable for a year is recoverable to the extent that tax otherwise determined exceeds the minimum tax for any of the following seven years.

#### Eligibility for Investment

Provided that the Shares are listed on a prescribed stock exchange, then the Shares when issued will be investments which are qualified investments, within the meaning of the Act for registered retirement savings plans ("RRSPs") as defined thereunder. Similarly, provided that the Warrants are so listed, they will also constitute qualified investments for RRSPs. In addition, the Shares and Warrants will not constitute foreign property for RRSPs.

An individual subscriber could contribute all or a portion of his Shares or Warrants which constitute qualified investments for RRSPs (collectively referred to as the "Qualifying Securities") to his RRSP or to his spouse's RRSP and thereby become entitled to a deduction in computing income equal to the fair market value

of the Qualifying Securities at the time they are so contributed within the limits set out in the Act for deductions for contributions to RRSPs. A subscriber who contributes the Qualifying Securities to an RRSP will be deemed to have disposed of the Qualifying Securities for proceeds of disposition equal to the fair market value thereof at that time. For a further discussion of the tax consequences of a disposition of Qualifying Securities, including the capital gains exemption, refer to the commentary under the headings "Warrants" and "Disposition of Common Shares". Subscribers who contribute all or a portion of the securities to an RRSP should consult their own tax advisors as to the tax consequences of such a contribution.

#### **PURCHASER'S STATUTORY RIGHT OF WITHDRAWAL AND RESCISSION**

The Securities Act provides a purchaser with a right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a material misrepresentation or is not delivered to the purchaser prior to delivery of the written confirmation of sale or prior to midnight on the second business day after entering into the agreement, but such remedies must be exercised by the purchaser within the time limit prescribed. For further information concerning these rights and time limits within which they must be exercised the purchaser should refer to Section 66, 114, 118 and 124 of the Securities Act or consult a lawyer.

## SUBSCRIPTION FORM

### HIXON GOLD RESOURCES INC.

Words and phrases used in this Subscription Form shall have the same meaning as in the prospectus dated November 18, 1988 (the "Prospectus") of Hixon Gold Resources Inc. (the "Issuer") relating to the Units offered therein.

TO: HIXON GOLD RESOURCES INC.  
410 - 1122 - 4th Street S.W.  
Calgary, Alberta T2R 1M1

#### 1. Subscription

The undersigned (the "Subscriber") hereby irrevocably subscribes for \_\_\_\_\_ Flow-Through Units for an aggregate subscription price of \_\_\_\_\_ (\$\_\_\_\_\_) (\$0.45 per Flow-Through Unit) offered pursuant to and on the terms and conditions as set forth in the Prospectus or such lesser number of Flow-Through Units as the Issuer may accept. Each Flow-Through Unit consists of one flow-through common share (the "Flow-Through Common Share") and two Series "A" share purchase warrants (the "Series "A" Warrants"). The acceptance of this Subscription shall be effective upon the due execution by the Issuer below. Certificates representing Flow-Through Common Shares and Series "A" Warrants of the Issuer will be mailed to the Subscriber at the address shown below within 10 business days of the Offering Day as defined in the Prospectus. \$0.45 of the subscription price per Flow-Through Unit is payable for the Flow-Through Common Share and no portion of the subscription price is payable for the two Series "A" Warrants.

#### 2. Subscription Price and Payment

Payment of the subscription price of \$0.45 per Flow-Through Unit must be tendered by way of cheque payable to the Issuer and delivered herewith.

#### 3. Prospectus and Related Agreements

The Subscriber hereby acknowledges receipt of a copy of the Prospectus and further acknowledges that this Subscription and the Flow-Through Units to be acquired by the Subscriber on acceptance of this Subscription are subject to the terms and conditions set forth in the Prospectus, all of which are incorporated herein by reference and form part of the contract established by the acceptance of this Subscription.

#### 4. Consideration for Flow-Through Common Shares

In consideration of the Subscriber subscribing for the Flow-Through Common Shares forming part of the Flow-Through Units, the Issuer covenants:

- (a) to issue to the Subscriber, on closing, One (1) Flow-Through Common Share for each Flow-Through Common Share subscribed for by the Subscriber at a subscription price of \$0.45 per Flow-Through Common Share;
- (b) to use its best efforts to incur Qualified Expenditures before March 1, 1989, in the amount of \$0.45 for each Flow-Through Common Share issued to the Subscriber and in any event to incur such Expenditures in such amount prior to March 1, 1990; and
- (c) to renounce to the Subscriber before March 31, 1989 and effective on or before December 31, 1988, Qualified Expenditures incurred by the Company before March 1, 1989 in the amount of \$0.45 per Flow-Through Common Share and to renounce to the Subscriber before March 31, 1990 and effective on or before December 31, 1989, Qualified Expenditures incurred by the Company before March 1, 1990, if any, in the amount of \$0.45 per Flow-Through Common Share all pursuant to subsection 66(12.6) of the Income Tax Act (Canada).

## 5. Reporting

The Company covenants to mail to the Subscriber, not later than March 31, 1989, a statement setting forth the aggregate amounts of Qualified Expenditures renounced to the Subscriber pursuant hereto.

## 6. Representations and Warranties

- (a) The Issuer hereby represents and warrants to the Subscriber that:
  - (i) the Flow-Through Common Shares are not and will not be prescribed shares for the purposes of paragraph 66(15)(d.1) of the Income Tax Act (Canada) (the "Act") and in particular will not be "prescribed shares" as defined in the draft Regulations to the Act released on July 18, 1988 amending Regulation 6202 and adding Regulation 6202.1 and the Issuer will neither do, nor acquiesce in, any act which results in the Flow-Through Common Shares being "prescribed shares" for the purposes of paragraph 66(15)(d.1) of the Act; and
  - (ii) the Issuer is, and at all material times will remain, a principal business corporation within the meaning of the Act and the Issuer will not take or cause to be taken any steps that would result in its ceasing to be a principal business corporation.

(b) The Subscriber hereby represents and warrants to the Issuer that to the best of his or her knowledge and belief, the Subscriber deals at arm's length with the Issuer within the meaning of the Act. The Subscriber acknowledges that if he or she does not deal at arm's length with the Issuer then the Qualified Expenditures incurred by the Issuer in the first 60 days of a calendar year can only be renounced by the Issuer to the Subscriber effective for that calendar year and not effective for the previous calendar year.

**8. Further Assurances**

The Subscriber hereby agrees to provide all such written assurances and documents as may be reasonably requested by the Issuer with respect to the above matters.

IN WITNESS WHEREOF the Subscriber has caused this Subscription Form to be executed at \_\_\_\_\_, in the Province of British Columbia, this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Signature of Subscriber

\_\_\_\_\_  
Name of Account Executive  
(please print)

\_\_\_\_\_  
Name of Subscriber  
(please print)

\_\_\_\_\_  
Name of Investment Dealer

\_\_\_\_\_  
Address - Street

\_\_\_\_\_  
Branch

\_\_\_\_\_  
City and Province  
Postal Code

\_\_\_\_\_  
Social Insurance Number

ACCEPTED BY HIXON GOLD RESOURCES INC. this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_.

HIXON GOLD RESOURCES INC.

FINANCIAL STATEMENTS

JUNE 30, 1988

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Pannell  
Kerr  
MacGillivray

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AUDITORS' REPORT

To the Directors of  
Hixon Gold Resources Inc.

We have examined the balance sheets of Hixon Gold Resources Inc. as at June 30, 1988 and September 30, 1987 and the statements of changes in financial position for the periods then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at June 30, 1988 and September 30, 1987 and the changes in its financial position for the periods then ended in accordance with generally accepted accounting principles consistently applied.

Calgary, Alberta,  
July 29, 1988, except as to Note 6,  
which is as of October 27, 1988.

*Pannell Kerr MacGillivray*  
Chartered Accountants

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Pannell  
Kerr  
MacGillivray





HIXON GOLD RESOURCES INC.  
(Incorporated under the laws of Alberta)

BALANCE SHEET

|  | June 30,<br><u>1988</u> | September 30,<br><u>1987</u> |
|--|-------------------------|------------------------------|
| <b>ASSETS</b>                            |                         |                              |
| <b>CURRENT</b>                           |                         |                              |
| Cash                                     | \$111,114               | \$128,292                    |
| MINERAL PROPERTIES (Note 3)              | 266,991                 | 264,781                      |
| DEFERRED OFFERING COSTS                  | 29,145                  | -                            |
|  | <u>\$407,250</u>        | <u>\$393,073</u>             |
| <b>LIABILITIES</b>                       |                         |                              |
| <b>CURRENT</b>                           |                         |                              |
| Accounts payable and accrued liabilities | \$ 14,177               | \$ -                         |
| <b>SHAREHOLDERS' EQUITY</b>              |                         |                              |
| <b>CAPITAL STOCK (Note 4)</b>            |                         |                              |
| Authorized                               |                         |                              |
| Unlimited number of common shares        |                         |                              |
| Issued                                   |                         |                              |
| 2,690,900 shares                         | 393,073                 | 393,073                      |
|  | <u>\$407,250</u>        | <u>\$393,073</u>             |

Approved on behalf of the Board

Director

Director

Pannell  
Kerr  
MacGillivray

HIXON GOLD RESOURCES INC.  
(Incorporated under the laws of Alberta)

STATEMENT OF CHANGES IN FINANCIAL POSITION

|  | Nine Months<br>Ended<br>June 30,<br><u>1988</u> | October 10,<br>1986 to<br>September 30,<br><u>1987</u> |
|--|---|--|
| <b>FINANCING ACTIVITIES</b>                        |   |  |
| Accounts payable                                   | \$ 14,177                                       | \$ -   |
| Issue of shares for cash                           | -   | 157,525  |
| Issue of shares for mineral properties             | -   | 235,548  |
|  | <hr/> 14,177                                    | <hr/> 393,073  |
| <b>INVESTMENT ACTIVITIES</b>                       |   |  |
| Mineral property additions                         | 2,210   | 264,781  |
| Deferred offering costs                            | 29,145  | -  |
|  | <hr/> 31,355                                    | <hr/> 264,781  |
| <b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b> | <hr/> (17,178)                                  | <hr/> 128,292  |
| <b>CASH AND EQUIVALENTS, beginning of period</b>   | 128,292   | -  |
|  | <hr/>   | <hr/>  |
| <b>CASH AND EQUIVALENTS, end of period</b>         | <u>\$111,114</u>                                | <u>\$128,292</u>                                       |

Pannell  
Kerr  
MacGillivray

HIXON GOLD RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1988

1. INCORPORATION

The Company was incorporated on October 10, 1986 under provisions of the Alberta Business Corporations Act and commenced activities on July 5, 1987. As the Company is in the development stage, no income statement has been prepared.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Mineral Properties

Costs relating to the acquisition, exploration and development of mineral properties are capitalized on an area of interest basis. These expenditures will be charged against income, when properties are developed to the stage of commercial production, through unit of production depletion. If an area of interest is abandoned, the related costs will be charged to operations.

The amounts shown for mineral properties represent costs to date and do not necessarily reflect present or future values.

Development of mineral properties and recovery of related costs are dependent upon capital financing arrangements, mineral market conditions, environmental considerations and general economic conditions.

b) Joint Ventures

Certain of the Company's exploration and development activities are conducted with others; accordingly the financial statements reflect only the Company's proportionate interest in such activities.

c) Deferred Offering Costs

The Company charges the costs of share issuance to capital stock in the year the shares are issued. Reference is made to Note 6.

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1988

3. MINERAL PROPERTIES

|  | Balance<br>September 30,<br>1987 | Transactions | Balance<br>June,30,<br>1988 |
|--|----------------------------------|--------------|-----------------------------|
| <u>Mineral Claims and Permits</u>                                    |                                  |              |                             |
| Costs incurred   |                                  |              |                             |
| Hixon Creek  | \$235,548                        | \$2,640      | \$238,188                   |
| Graveyard  | 29,233                           | -            | 29,233                      |
|  | 264,781                          | 2,640        | 267,421                     |
| <br><u>Deferred Exploration and Development Expenditures</u>         |                                  |              |                             |
| Costs incurred   |                                  |              |                             |
| Hixon Creek  | -                                | 5,409        | 5,409                       |
| Graveyard  | -                                | -            | -                           |
|  | -                                | 5,409        | 5,409                       |
| <br><u>Deferred Administrative Expenses</u>                          |                                  |              |                             |
| Administrative expenses, net of interest revenue and management fees | -                                | (5,839)      | (5,839)                     |
|  | -                                | (5,839)      | (5,839)                     |
| <br>Total  | <br>\$264,781                    | <br>\$2,210  | <br>\$266,991               |

The Company acquired the Hixon Creek property 75% from Golden Rule Resources Ltd. ("Golden Rule"), a company related by common management, and 25% from Touchstone Investments Ltd. for its book value of \$235,548. Consideration given was 1,340,800 shares at a deemed price of \$.1757 per share. Pursuant to an agreement dated October 1, 1986 between Golden Rule and Noranda Exploration Company Limited ("Norex") which has been assigned to the Company, Norex earned a 50% interest in the property upon incurring \$250,000 in exploration expenditures prior to March 1, 1988.

The Graveyard claim was purchased for cash from Golden Rule for its costs of \$29,233.

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1988

4. CAPITAL STOCK

a) Issued

|                                     | Nine Months Ended<br>June 30, 1988 |                         | October 10, 1986 to<br>September 30, 1987 |                         |
|-------------------------------------|------------------------------------|-------------------------|---|-------------------------|
|                                     | <u>Number of<br/>Shares</u>        | <u>Stated<br/>Value</u> | <u>Number of<br/>Shares</u>               | <u>Stated<br/>Value</u> |
| Balance, beginning<br>of period     | 2,690,900                          | \$393,073               | -   | \$ -                    |
| Issued for cash<br>On incorporation | -                                  | -                       | 100                                       | 25                      |
| Pursuant to private<br>placement    | -                                  | -                       | 1,350,000                                 | 157,500                 |
| Issued for mineral<br>properties    | -                                  | -                       | 1,340,800                                 | 235,548                 |
| Balance, end of period              | <u>2,690,900</u>                   | <u>\$393,073</u>        | <u>2,690,900</u>                          | <u>\$393,073</u>        |

b) Allotted and Reserved

i) Options to purchase 310,000 shares at \$.45 per share, have been granted to management and directors. The options expire five years from the date of receipt for a final prospectus for the offering referred to in Note 6.

ii) Reference is made to Note 6.

5. INCOME TAXES

The carrying value of mineral properties acquired pursuant to the transactions outlined in Note 3 exceeds their related income tax value by \$235,548.

6. SUBSEQUENT EVENT

Pursuant to an Agency Agreement dated October 27, 1988, the Company will offer 600,000 units as follows:

a) 200,000 units at a price of \$0.45 each, consisting of one common share and two Series "A" Warrants;

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NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1988

6. SUBSEQUENT EVENT (Continued)

- b) 400,000 units at a price of \$0.45 per unit, each unit consisting of one "flow-through" common share and two Series "A" Warrants.

Combined estimated net proceeds of the offering are \$204,000, after deducting commissions of \$30,000 and estimated costs of issue of \$36,000. In addition, the Company will issue non-transferable Warrants to the Agent entitling the Agent to purchase up to 150,000 common shares under the same terms and conditions as the Series "A" Warrants.

Two series "A" Warrants entitle the holder to purchase one common share of the Company within a two year exercise period, from the date of listing of the Company's share on the Vancouver Stock Exchange. The shares may be purchased at a price of \$0.45 per share in the first year and \$0.52 per share in the second year of the exercise period.

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**ORCAN MINERAL ASSOCIATES LTD.**  
**CONSULTING ENGINEERS**

**SUITE 1417 - 409 GRANVILLE STREET**  
**VANCOUVER, CANADA V6C 1T2**  
**TELEPHONE (604) 682-3722**

**Hixon Gold Resources Inc.**  
**Calgary, Alberta**

**SUMMARY REPORT**  
**on the**  
**HIXON CREEK PROPERTY**  
**Cariboo Mining Division, B.C.**

**NTS 93G/7, 8**  
**53°25'N. Lat.; 122°30'W. Long.**

**August 15, 1988**

**Robert S. Adamson, P.Eng.**

**Consultant**

**Vancouver, Canada**

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## SUMMARY

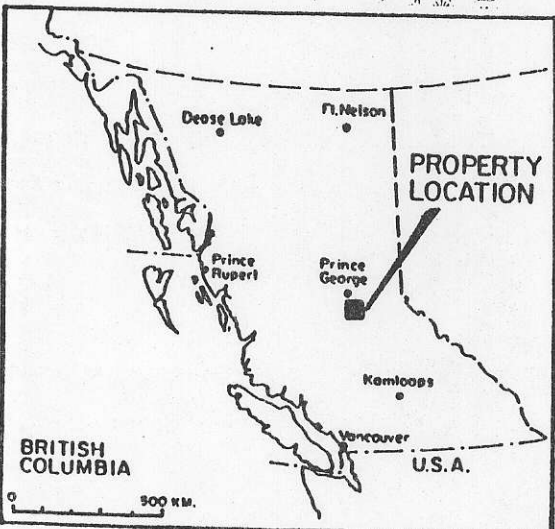
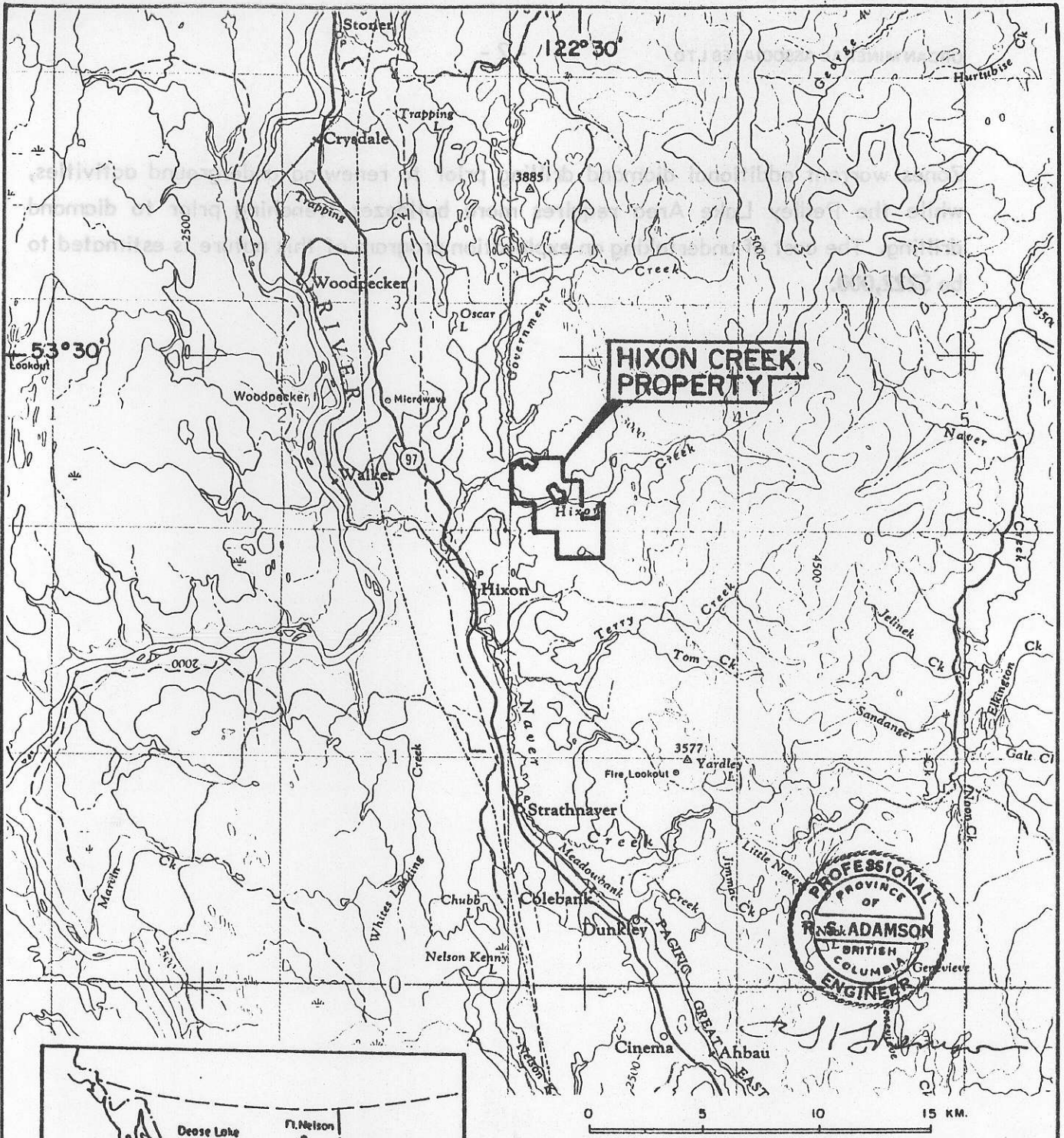
The 56 unit Hixon Creek property, a fissure vein-type gold prospect, is situated 55 kilometres south southeast of Prince George in central British Columbia. Initially discovered in the last century, numerous quartz veins were explored from a number of adits and six levels of underground workings; reported production was 239 tons. Recent exploration undertaken by Noranda Exploration, the present operator, consisted of drilling eight holes in the vicinity of the old mine and cutting trenches at a number of sites on the property.

The geological setting consists of Upper Triassic age meta-volcanic and meta-sedimentary rocks, stratigraphically located near the base of the Quesnel Trough. On the property, a northwesterly striking greenstone body of andesite, basalt and diorite, approximately 400 to 500 metres in width, is flanked by meta-sedimentary rocks. The most prominent structures are north northeasterly trending faults and/or shears cutting the greenstone body. Gold mineralization, frequently associated with minor sulphide mineralization, occurs in narrow quartz veins, primarily hosted by andesite.

Five mineralized localities on the property contain significant gold values. Three of these (Main, East, and Raven Zone) have been investigated by diamond drilling; the other two (North and Pedley Lake Areas) have been initially explored by bulldozer trenching. The Main Zone, which includes the old workings, and the East Zone lie in close proximity to one another. Both zones, somewhat stratiform in character, exhibit reasonable continuity of vein or vein zone. Gold values, typically erratic, are nonetheless persistent; some are ore grade underground and approach ore grade in drill holes. A wide vein zone with interesting gold values has been exposed in the Pedley Lake Area. Significantly, the zone appears to directly coincide with one of six, relatively unexplored, magnetic linears in the area.

A very good potential exists on the Hixon Creek property to delineate several, small tonnage, economically feasible, vein-type gold deposits. The Main and East

Zones warrant additional diamond drilling prior to renewing underground activities, while the Pedley Lake Area requires more bulldozer trenching prior to diamond drilling. The cost of undertaking an exploration program of this nature is estimated to be \$222,000.



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VANCOUVER, CANADA

**HIXON GOLD RESOURCES INC.**

HIXON CREEK PROPERTY

**LOCATION MAP**

CARIBOO DISTRICT, B.C. N.T.S. 93G - 7E, 8W

|                 |           |        |
|-----------------|-----------|--------|
| SCALE 1:250,000 | AUG. 1988 | FIG. 1 |
|-----------------|-----------|--------|

## INTRODUCTION

Orcan Mineral Associates Ltd. has been asked by Hixon Gold Resources Inc. to report on the Hixon Creek property located in the Cariboo Mining Division of central British Columbia. Noranda Exploration, who recently conducted an exploration program on the Hixon Creek claims, provided the writer with the most recent technical data on the property. In the preparation of this report, the writer has made full use of Noranda's data and the available published data. The writer examined the property on August 8, 1988.

### Location and Access (53°25'N. Lat.; 122°30'W. Long.)

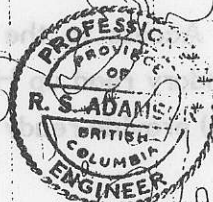
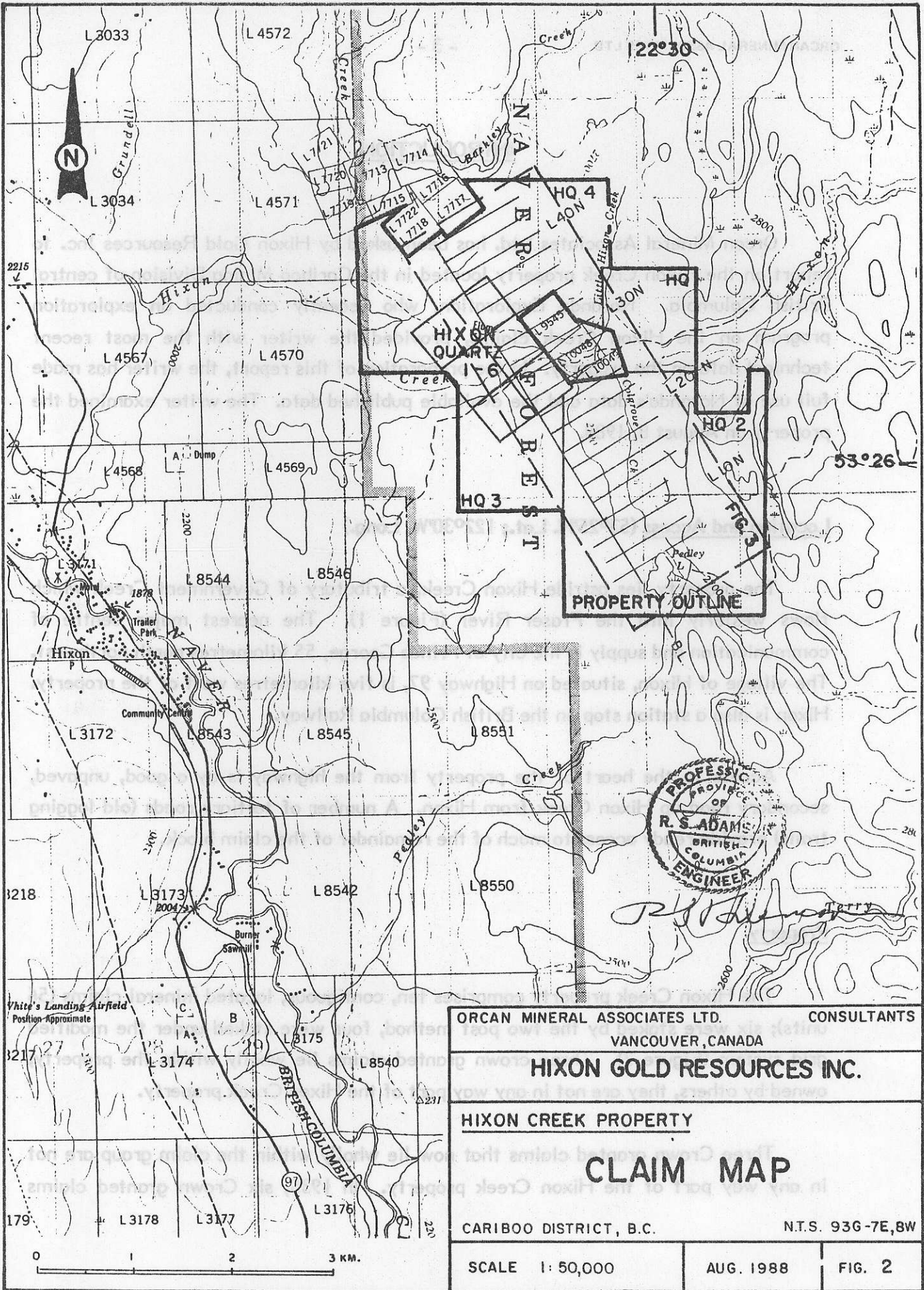
The property lies astride Hixon Creek, a tributary of Government Creek which flows westerly into the Fraser River (Figure 1). The nearest major centre of communication and supply is the city of Prince George, 55 kilometres north northwest. The village of Hixon, situated on Highway 97, is five kilometres west of the property. Hixon is also a station stop on the British Columbia Railway.

Access to the heart of the property from the highway is by a good, unpaved, secondary road up Hixon Creek from Hixon. A number of tertiary roads (old logging trails) provide ready access to much of the remainder of the claim block.

### Property

The Hixon Creek property comprises ten, contiguous, located mineral claims (56 units); six were staked by the two post method, four were staked under the modified grid system (Figure 2). Three crown granted claims lie wholly within the property; owned by others, they are not in any way part of the Hixon Creek property.

Three Crown granted claims that now lie wholly within the claim group are not in any way part of the Hixon Creek property. In 1935, six Crown granted claims



|   |                  |
|---|------------------|
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| VANCOUVER, CANADA                         |                  |
| <b>HIXON GOLD RESOURCES INC.</b>          |                  |
| <b>HIXON CREEK PROPERTY</b>               |                  |
| <b>CLAIM MAP</b>                          |                  |
| CARIBOO DISTRICT, B.C.                    | N.T.S. 93G-7E,8W |
| SCALE 1:50,000                            | AUG. 1988        |
|   | FIG. 2           |

(Morrison Location, Stewart Location, Washburn Location, Washburn Lateral, and also Lots 55G and 56G) comprised the property that was then owned by the Quesnelle Quartz Mining Company. What is now the Main Shaft area was on Lot 55G. For whatever reason, those three Crown grants that encompassed the old mine workings were subsequently allowed to lapse; evidently, the other three were retained. From B.C. government survey plates, Noranda Exploration confirmed that the Crown grants do not lie over the old workings. There are no known old workings on the present Crown granted claims.

Noranda chose not to make an offer to acquire the Crown granted claims because, from their initial work on the Hixon Creek property, it became clear that the Crown grants were outside the main gold-bearing system that is partially exposed in the old workings. In addition, Noranda corroborated Taiga Consultants' contention that there were no outcrops on the Crown grants. Further, the underlying geology as deduced from prior geophysical surveys was, in any event, not particularly favourable for significant gold deposition. As far as is presently known, there are no gold occurrences on the Crown granted claims, neither in outcrop or as float.

Hixon Gold Resources is the recorded owner of the property. Its ownership is subject only to a five percent net profits interest. In 1987, Noranda Exploration and Gabriel Resources jointly optioned to purchase a 50 percent interest in the property by expending \$250,000 in exploration. As of March 1, 1988, the required expenditures have been met. Hixon Gold Resources and the Noranda-Gabriel Jolat Venture will be funding further exploration from that date. Noranda Exploration will continue to be the operator.

The claims contained within the Hixon Creek property are enumerated as follows:

| <u>Claim Name</u>  | <u>Units</u>           | <u>Record Number</u> | <u>Expiry Date</u> |
|--------------------|------------------------|----------------------|--------------------|
| Hixon Quartz No. 1 | 1                      | 61413                | Dec. 16, 1989      |
| Hixon Quartz No. 2 | 1                      | 61414                | Dec. 16, 1989      |
| Hixon Quartz No. 3 | 1                      | 821                  | Sept. 1, 1991      |
| Hixon Quartz No. 4 | 1                      | 822                  | Sept. 1, 1991      |
| Hixon Quartz No. 5 | 1                      | 823                  | Sept. 1, 1991      |
| Hixon Quartz No. 6 | 1                      | 824                  | Sept. 1, 1991      |
| H.Q.               | 4                      | 856                  | Sept. 25, 1991     |
| H.Q. 2             | 20                     | 969                  | April 9, 1992      |
| H.Q. 3             | 6                      | 970                  | April 9, 1992      |
| H.Q. 4             | <u>20</u>              | 1846                 | July 26, 1991      |
|                    | <u><b>56 units</b></u> |                      |                    |

The topography on the property consists essentially of low rising hills, on an upland plateau dissected by Hixon Creek and tributaries. Elevations range generally from 700 to 800 metres above sea level. It is heavily wooded; second growth timber prevails primarily, but thick undergrowth is common locally.

The climate, typical of the northern interior of the province, is subject to moderate precipitation throughout the year, rain from spring to fall and snow the remainder of the year. Temperatures can be sharply variable. Summers range from mild to moderate; winters from moderate to very cold.

### History

Hixon Creek has a long history as a placer mining area. Several narrow quartz veins, occurring near the confluence of the main creek and Little Hixon Creek, were evidently the source of some of the placer deposits. From the 1870's, the veins were explored for their lode gold potential. By 1887, the Main Shaft had been sunk to 61 metres, the Koch Shaft to 21 metres, and the Mason Shaft to 12 metres. Drifting from the shafts and the prospect tunnels followed several auriferous quartz veins, reportedly ranging in width from a few inches up to six feet. A stamp mill was erected in 1878. Production during this early period was reported to be 239 tons of ore.



Quesnelle Quartz Mining Company Ltd. acquired the mine in 1933 and, in 1934 after dewatering the underground workings in the Main Shaft, implemented an underground exploration and development program. The company drove the Clarke Adit, sank the No. 8 winze from the Main Shaft lower level (the fourth) and drifted extensively on these lower (4th, 5th and 6th) levels of the mine. Comprehensive sampling of quartz veins was undertaken. Up to 29 veins were noted. Although the development program continued into 1937, activities were subsequently terminated that year and the mine allowed to flood once again. No production was recorded during this period of activity.

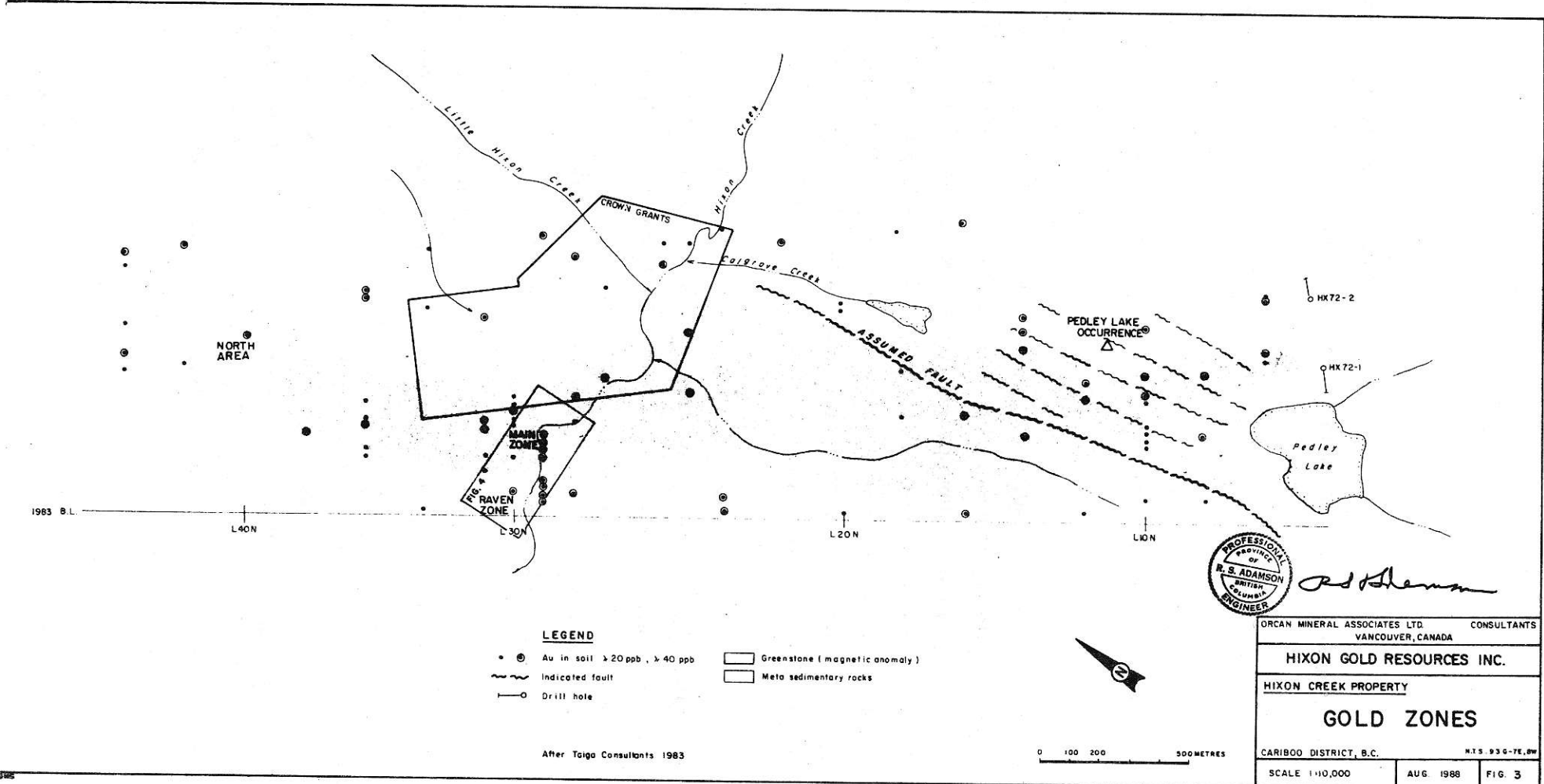
The next significant period of exploration took place in the early 1970's when Bethlehem Copper Corporation staked a large block of claims surrounding the mine workings. Exploring the area primarily for porphyry copper mineralization, the company initially carried out reconnaissance geological mapping and geochemical soil sampling. In 1972, four reconnaissance core holes, totalling 449 metres, were drilled. Bethlehem's property eventually was allowed to lapse.

In 1979, the present property was acquired by Golden Rule Resources. From 1980 to 1983, Taiga Consultants explored the property on behalf of Golden Rule. In 1980 and 1981, Taiga carried out geological, geochemical, and geophysical surveys (magnetometer and VLF electromagnetic) over a grid established to cover most of the property, including the internal crown granted claims (Figure 2). After Golden Rule formed a joint venture with Calpetro Resources Inc. (now Nucal Resources Ltd.), Taiga drilled four core holes, totalling 353 metres, in the vicinity of the old mine; two of these were drilled beneath the mine workings.

The property was acquired by Hixon Gold Resources Inc. in 1986.

### Recent Work

The most recent exploration on the property has been undertaken by Noranda Exploration Company Limited.



**LEGEND**

- Au in soil > 20 ppb, > 40 ppb
- Indicated fault
- Drill hole
- ▭ Greenstone (magnetic anomaly)
- ▭ Meta sedimentary rocks

After Taiga Consultants 1983

0 100 200 500METRES



*R. S. Adamson*

|   |                    |
|---|--------------------|
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| VANCOUVER, CANADA                         |                    |
| <b>HIXON GOLD RESOURCES INC.</b>          |                    |
| HIXON CREEK PROPERTY                      |                    |
| <b>GOLD ZONES</b>                         |                    |
| CARIBOO DISTRICT, B.C.                    | N.T.S. 93 G-7E, 8W |
| SCALE 1:10,000                            | AUG 1988 FIG 3     |

In 1987, cut-line and flagged grids (42 kilometres) were laid out, geological mapping of outcrops was carried out over the grids, soil (1,835) and rock chip (215) samples were collected and analyzed, and geophysical surveys (66.35 kilometres of magnetics and 8.5 kilometres of induced polarization) were completed. These various surveys were followed by cutting 23 bulldozer and excavator trenches and by drilling three core holes (total 276.5 metres).

In early 1988, an additional 15.3 kilometres of grid was established and 486 soil and rock chip samples were collected. Another eleven trenches were cut and five more core holes (640 metres) were drilled.

## GEOLOGICAL SETTING

### Regional Geology

The Hixon Creek property lies in the extension of the Quesnel Trough, a northwesterly-trending lineal belt of volcanic and sedimentary rocks of the Takla (or Quesnel River) Group. For the most part fault bounded, the trough in the Hixon area averages 30 kilometres in width. Paleozoic age Cache Creek Group formations lie west of the Takla Group, which ranges in age from Upper Triassic to Lower Jurassic, whereas older Paleozoic and Precambrian formations of the Kaza Group lie to the east.

The basal unit in the Takla Group, composed primarily of black argillite, lies along the eastern margin of the trough. The remaining units consist predominantly of intermediate to mafic volcanic flows and pyroclastics, with lesser clastic and pelitic sediments and minor limestone. Intrusive rocks occur within the trough as mid Jurassic plutons and as numerous small stocks and dykes which are probably comagmatic with the volcanic activity. Other small granitic bodies of the Naver Intrusions are believed to be early Cretaceous in age.

Unlike the flanking formations which are tightly folded, units within the trough are broadly folded, primarily along northwesterly-trending axes. The argillaceous basal unit is, however, tightly folded. Otherwise, the dominant structures in the trough appear to be faults and fracture systems of near-regional magnitude that primarily strike northwesterly.

### Property Geology

Situated near the base of the Quesnel Trough, the Hixon Creek property lies within a northwesterly striking, fault-bounded sliver of meta-volcanic and meta-sedimentary rocks of Upper Triassic age. The sequence is intruded locally by small bodies of granodiorite. Miocene age sedimentary rocks unconformably overlie the property at higher elevations to the northeast.

The most prominent geological feature on the property is a northwesterly striking, elongate greenstone body, 400 to 500 metres in width and in excess of 3.5 kilometres in length (Figure 3). Flanked primarily by non-magnetic sedimentary rocks, it exhibits a strongly positive magnetic response. The greenstone comprises andesitic to basaltic flows and tuffs, interlayered with diorite sills. Felsic tuffs (frequently altered to schists) interbedded with argillite or siltstone and graphitic schist occur along the southwestern contact of the greenstone unit. The overall assemblage is believed to dip moderately to steeply to the northeast. Felsic dykes (and flows?) are not uncommon.

Folding is most evident in incompetent schistose rocks in the vicinity of the mine workings along the southwestern contact of the relatively competent greenstone. Second order faults, usually striking north northeasterly, cut the greenstone body.

### GEOCHEMISTRY

Soil samples were collected by Taiga Consultants in 1983. Samples were taken at 25 metre stations along lines spaced at 100 and 200 metre intervals, the closer

spaced lines being between lines 2400 and 3400 on the 1983 grid. Samples were analyzed for gold and 24 other elements. Anomalous gold values (40+ ppb) in soils are shown on Figure 3.

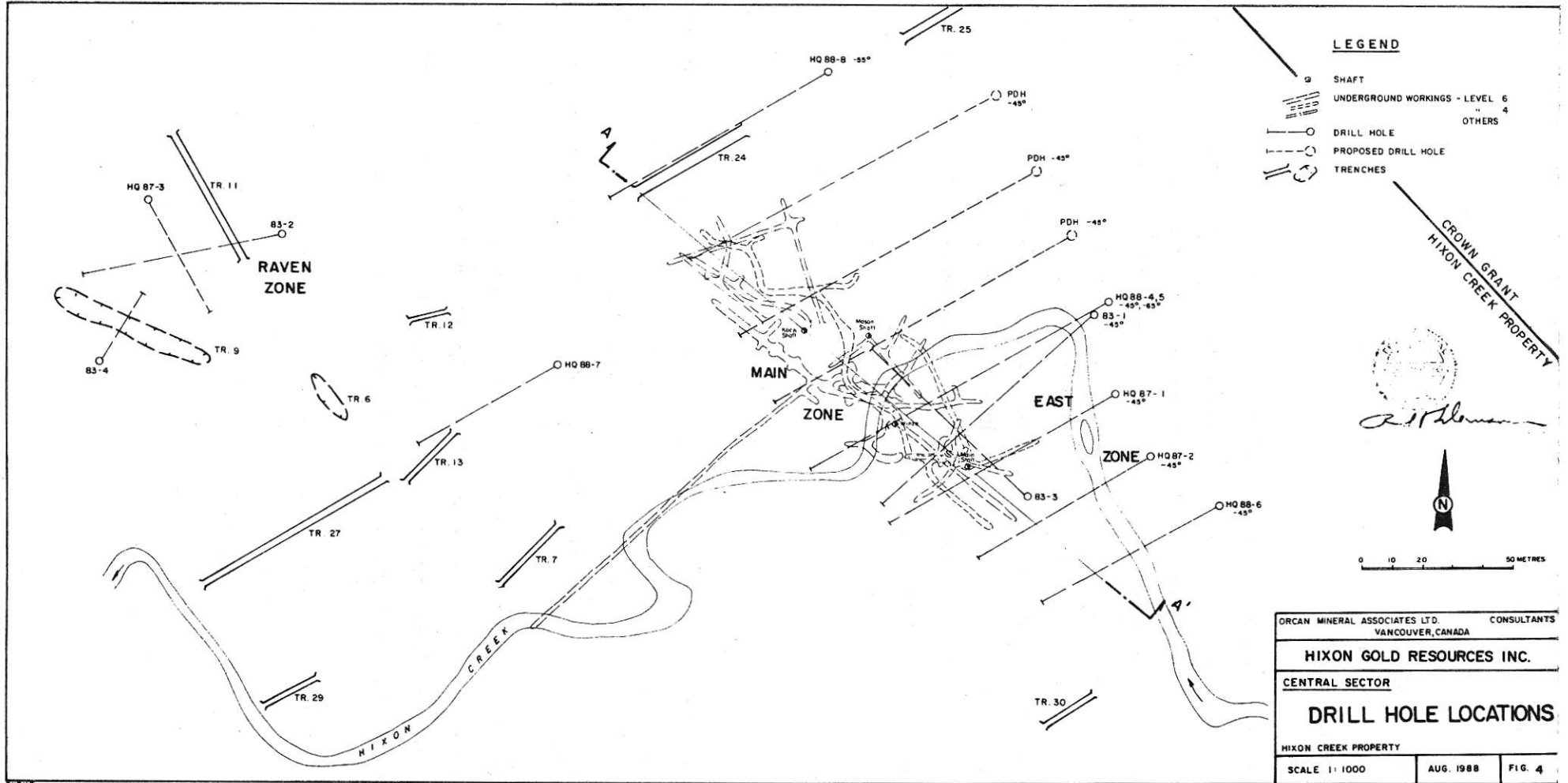
Geochemical soil sampling carried out by Noranda in 1987 and 1988 was designed to confirm and better define the earlier anomalous geochemistry. Anomalous gold values, although erratically distributed, are generally more abundant in the area north of Pedley Lake and in the vicinity of the mine workings. However, the disposition of anomalous values is strongly influenced by the nature of the soil profile and the extent of the soil cover. The Hixon Creek property is mantled for the most part by glacial overburden of variable thickness and composition. Although rock outcrops and areas of residual float are not uncommon in the soil cover, on occasion fairly extensive swampy areas prevail between. Finally, gravel deposits occur as narrow terraces along the major streams on the property.

### GEOPHYSICS

Geophysical surveys, comprising magnetic and VLF electromagnetic, were carried out by Taiga Consultants in conjunction with its geochemical program. In 1987, Noranda undertook additional magnetometer surveys on a selective basis, and implemented a test induced polarization survey in the vicinity of the old workings.

The magnetometer surveys more precisely outlined the limits of the greenstone body which was initially indicated from a government aeromagnetic survey. In the Pedley Lake Area, a series of north northeast striking structures cutting across the greenstone body is indicated from the magnetic data.

VLF electromagnetic lineaments are common over the Taiga grid. Most are believed to be caused by surficial features, although a few are likely related to structurally controlled topography.



The induced polarization response was essentially weak. Initial indications, however, are that quartz-carbonate-pyrite alteration zones appearing to be associated with mineralization on the Hixon Creek property can be detected using this method.

### GOLD DEPOSITS

Gold mineralization on the Hixon Creek property occurs in narrow quartz veins containing disseminated pyrite, with galena and sphalerite and minor chalcopyrite, arsenopyrite, and molybdenite. Significant gold values (1 gram per tonne or more) exist at five localities on the property (Figure 3). They are the Main Zone (including the mine workings), the East Zone (approximately 40 metres northeast of and paralleling the mine workings), the Raven Zone (approximately 250 metres northwest of the Main Shaft), the Pedley Lake Area, and the North Area.

#### Main Zone

The principal gold zone on the Hixon Creek property comprises a network of quartz veins occupying a zone 140 metres long (northwest), 40 metres wide (northeast), and 190 metres deep. Up to 29 quartz veins were recorded in the mine workings which extend 120 metres vertically beneath the surface. Lateral workings were established in the mine on six levels, at -15.3 metres (No. 1 level), at -29.8 metres (No. 2), at -44.4 metres (No. 3), at -59.6 metres (No. 4), at -89.7 metres (No. 5), and at -119.5 metres (No. 6). Drifting on each level was 8.1 metres (No. 1), 70.7 metres (No. 2), 24.9 metres (No. 3), 274.3 metres (No. 4), 21.3 metres (No. 5), 358.1 metres (No. 6).

The geological setting within the mine consists predominantly of dark green, fine grained andesite, which is in contact on the southwest with felsic tuffs. Lithological contacts strike north 40 degrees west. In the upper levels of the mine, dips are steeply northeast; in the lower levels, they become moderately southwest. Moderate to intense hydrothermal alteration is pervasive. In andesites, it comprises quartz, carbonate, and pyrite; in tuffs, which become schistose, it consists of clay and pyrite. The oxidized (or weathered) zone in the andesite ranges from 25 to 30 metres in depth.

Quartz veins occur almost exclusively in andesite. Two vein systems are evident. One strikes northwest and dips 70 degrees to the northeast, essentially paralleling the volcanic-sedimentary contact in stratiform fashion. The other strikes northeast and usually dips steeply southeast.

Assay data are available in the published literature for the six levels underground. Assays from the three upper levels appear to be complete; those from the three lower levels are evidently incomplete. Assay results, extracted from reports (1933-1937) by P.E. Peterson, mining engineer for Quesnelle Quartz Mining Co., are summarized by Noranda as follows:

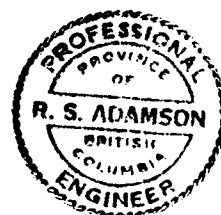
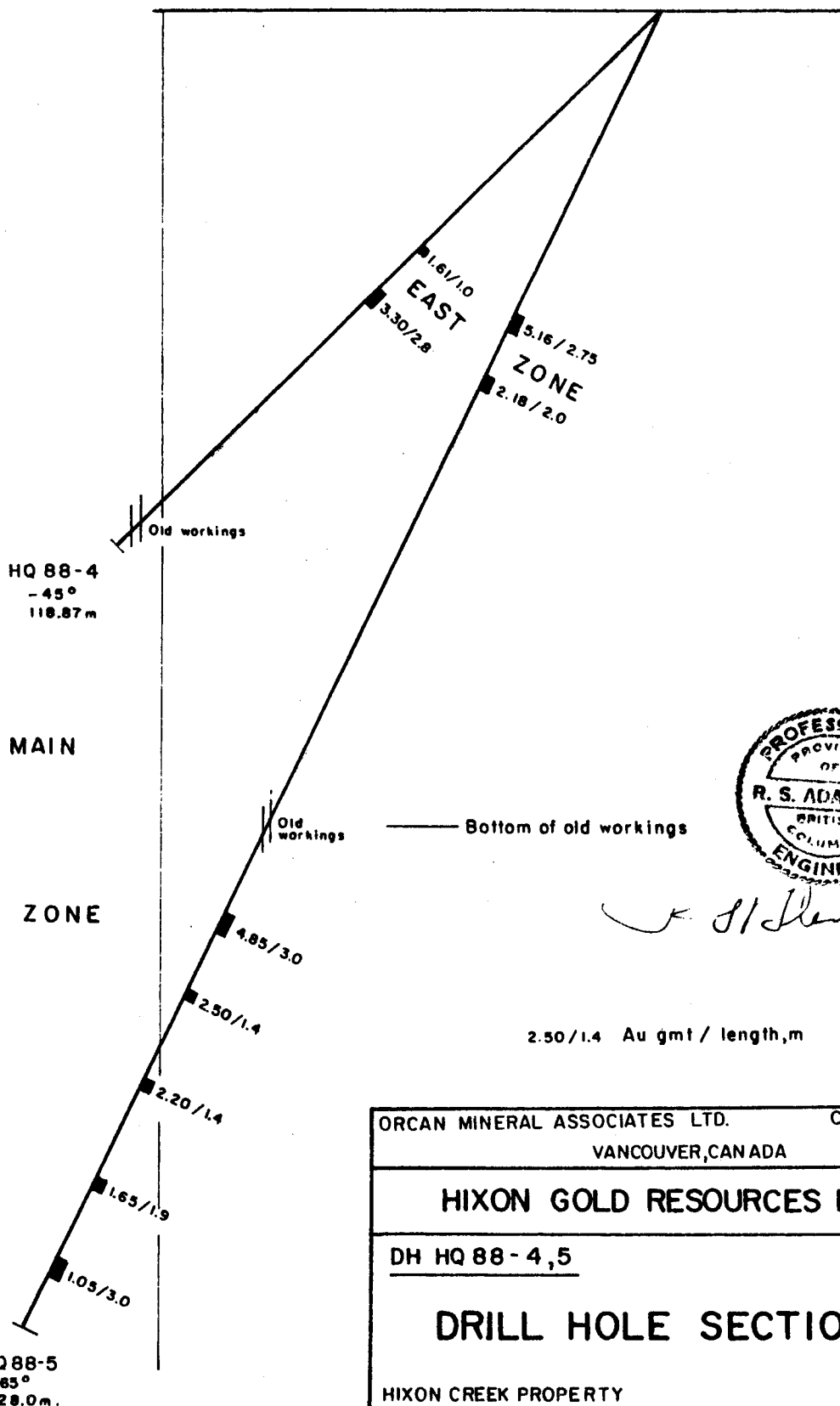
| <u>Level</u> | <u>Vein</u> | <u>Width<br/>(ft.)</u> | <u>Au<br/>(oz/t)</u> | <u>Ag<br/>(oz/t)</u> |
|--------------|-------------|------------------------|----------------------|----------------------|
| 1            |             | 5                      | 0.09                 |                      |
| 2            |             | 10                     | 0.26                 |                      |
| 2            |             | 5                      | 0.18                 |                      |
| 2            |             | 5                      | 0.38                 |                      |
| 2            |             | 5                      | 0.26                 |                      |
| 2            |             | 5                      | 0.45                 |                      |
| 2            |             | 6                      | 0.07                 |                      |
| 2            |             | 6                      | 0.07                 |                      |
| 3            |             | 5                      | 0.12                 |                      |
| 3            |             | 5                      | 0.19                 |                      |
| 3            |             | 5                      | 0.06                 |                      |
| 3            |             | 5                      | 0.07                 |                      |
| 3            |             | 5                      | 0.05                 |                      |
| 3            |             | 5                      | 0.05                 |                      |
| 3            |             | 5                      | 0.07                 |                      |
| 4            | 8           | 5                      | 0.03                 | 1.0                  |
| 4            | 8           | 5                      | 0.04                 | 1.4                  |
| 4            | 9           | 14"                    | 4.27                 | 66.9                 |
| 4            | 9           | Muck                   | 1.00                 | 7.9                  |
| 4            | 10          | 5                      | 0.17                 |                      |
| 4            | 10          | 5                      | 0.10                 |                      |
| 4            | 12          | 5                      | 0.04                 |                      |
| 4            | 12          | 5                      | 0.15                 |                      |
| 4            | 12          | 5                      | 0.48                 |                      |
| 4            | 12          | 5                      | 0.17                 |                      |
| 4            | 12          | 5                      | 0.06                 |                      |
| 4            | 12          | 5                      | 0.07                 |                      |
| 4            | 12          | 5                      | 0.04                 |                      |
| 4            | 12          | 3                      | 0.10                 | 0.24                 |
| 4            | 13          | 5                      | 0.07                 |                      |



SW

NE

LONGITUDINAL SECTION (FIG. 6)



*R. S. Adamson*

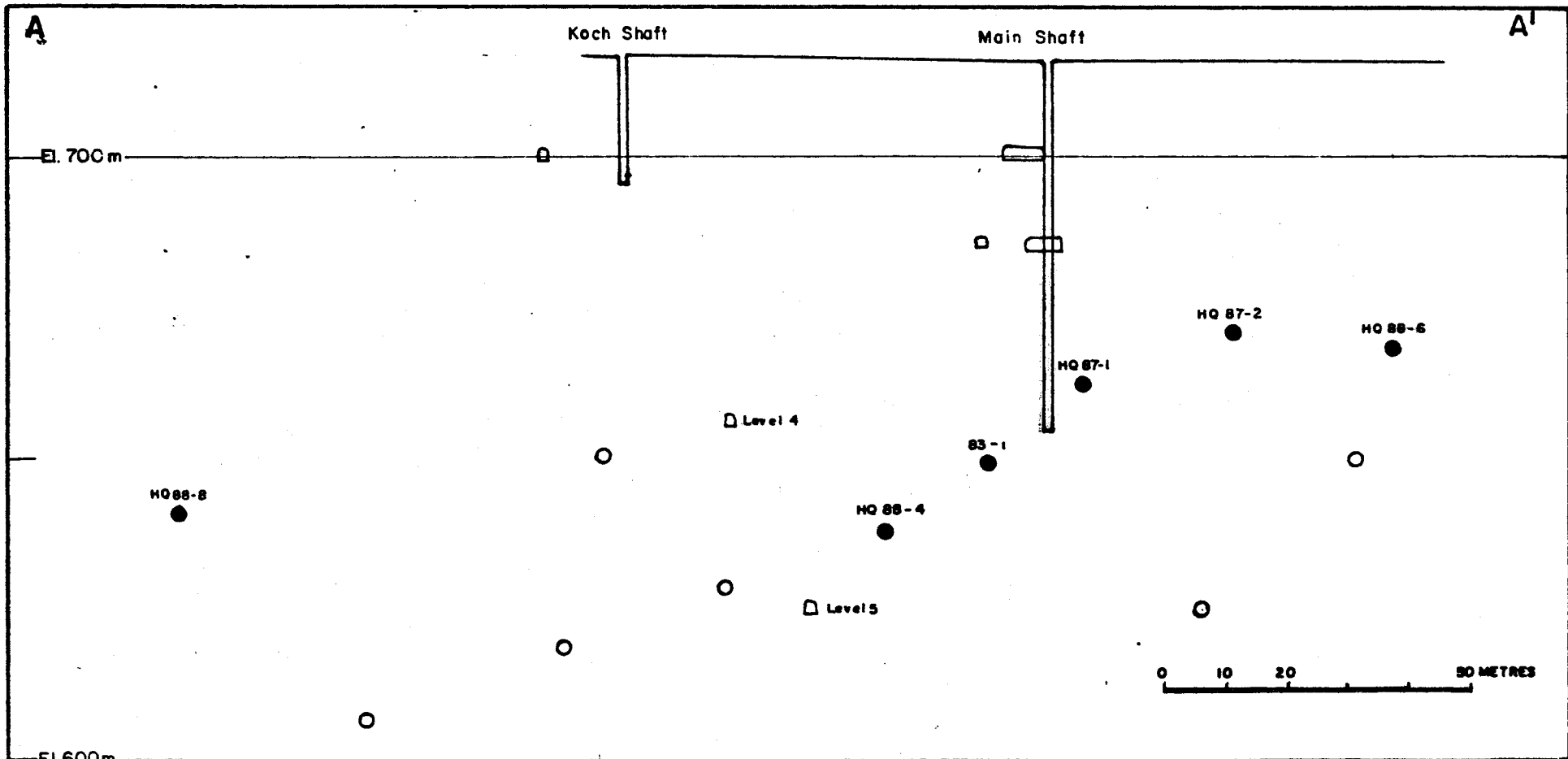
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| VANCOUVER, CANADA                         |           |
| HIXON GOLD RESOURCES INC.                 |           |
| DH HQ 88 - 4, 5                           |           |
| DRILL HOLE SECTION                        |           |
| HIXON CREEK PROPERTY                      |           |
| N.T.S. 93G-7E, 8W                         |           |
| SCALE 1:1000                              | AUG. 1988 |
| FIG. 5                                    |           |

0 10 20 40 METRES

| <u>Level</u> | <u>Vein</u> | <u>Width<br/>(ft.)</u> | <u>Au<br/>(oz/t)</u> | <u>Ag<br/>(oz/t)</u> |
|--------------|-------------|------------------------|----------------------|----------------------|
| 4            | 13          | 5                      | 0.05                 |                      |
| 4            | 13          | 3                      | 0.05                 |                      |
| 4            | 13          | 2                      | 0.05                 |                      |
| 4            | 13          | grab                   | 0.20                 |                      |
| 4            | 16a         | 5                      | 0.23                 |                      |
| 4            | 16a         | 4                      | 0.04                 |                      |
| 4            | 16a         | 3                      | 0.09                 |                      |
| 4            | 16a         | 40"                    | 0.06                 |                      |
| 4            | 16a         | 30"                    | 0.12                 |                      |
| 4            | 16a         | 36"                    | 0.08                 |                      |
| 4            | 16a         | 26"                    | 0.08                 |                      |
| 4            | 16a         | 5                      | 0.08                 |                      |
| 4            | 16a         | 12"                    | 0.07                 |                      |
| 4            | 16a         | 30"                    | 0.37                 |                      |
| 4            | 16a         | 6                      | 0.22                 |                      |
| 4            | 16a         | 42"                    | 0.07                 |                      |
| 4            | 16a         | 6                      | 0.50                 |                      |
| 4            | 16a         | 4                      | 0.13                 |                      |
| 4            | 16a         | 2                      | 0.09                 |                      |
| 4            | 16a         | 5                      | 0.10                 |                      |
| 4            | 16a         | 5                      | 0.65                 |                      |
| 4            | 16a         | 5                      | 0.23                 |                      |
| 4            | 16a         | ?                      | 0.17                 |                      |
| 4            | 16a         | ?                      | 0.48                 |                      |
| 5            | 8           | 15                     | 0.18                 |                      |
| 5            | 8           | 10                     | 0.47                 |                      |
| 6            | ?           | 5                      | 0.11                 | 0.68                 |
| 6            | ?           | 5                      | 0.23                 | 0.08                 |

In addition to the above, 23 muck samples were collected from a winze sunk from the fourth to the sixth level. The fifth and sixth levels were developed from the winze. The winze followed the No. 8 vein for 36.6 metres before continuing and departing from the vein. The vein averaged 7.2 grams gold per tonne (0.21 oz/t) over the 1.5 metre width of the winze. The vein strikes northeast and dips steeply northwest above the fifth level, but steeply southeast beneath it.

No further assay data are available from the fifth and sixth levels, although extensive lateral workings and at least four raises indicate several veins were located and presumably sampled. Crosscuts on the fifth and sixth levels indicate the No. 8 vein (or vein zone) ranges from 3 to 4.5 metres in width.



- Diamond drill hole intercept
- Proposed " " "
- Underground workings



*R. S. Adamson*

ORCAN MINERAL ASSOCIATES LTD. CONSULTANTS  
VANCOUVER, CANADA

**HIXON GOLD RESOURCES INC.**

MAIN ZONE

**LONGITUDINAL SECTION**  
**A - A'**

HIXON CREEK PROPERTY

SCALE 1:1000

AUG. 1988

FIG. 6

Five diamond drill holes (DDH 83-1, 83-3, 87-1, 88-4, and 88-5) were drilled in recent years through and beneath the old workings (Figure 4). All except DDH 88-4 intersected gold values in excess of one gram gold per tonne in the Main Zone. It did not continue beyond the old workings. Two holes (DDH 87-2 and 88-6) evidently extend the mineralized zone another 40 metres to the southeast. An eighth hole (DDH 88-8) located 20 metres northwest of the mine workings failed to intersect significant gold mineralization. It did, however, cut a wide section of intensely weathered greenstone, which included a quartz-carbonate altered zone near the sedimentary contact. The Main Zone drilling is summarized as follows:

| <u>Drill<br/>Hole</u> | <u>Assay<br/>Intercept</u>  |
|-----------------------|---|
| DDH 83-1              | 3.6 gmt Au/1.5 metres<br>5.7 gmt Au/1.5 metres  |
| DDH 83-3              | 1.3 gmt Au/4.6 metres<br>1.2 gmt Au/6.0 metres<br>1.9 gmt Au/1.2 metres   |
| DDH 87-1              | 5.1 gmt Au/1.5 metres<br>1.0 gmt Au/1.5 metres  |
| DDH 87-2              | 2.6 gmt Au/1.0 metres   |
| DDH 88-4              | intercepted underground workings  |
| DDH 88-5              | 4.8 gmt Au/3.0 metres<br>2.5 gmt Au/1.0 metres<br>2.2 gmt Au/1.0 metres<br>1.6 gmt Au/1.9 metres<br>1.1 gmt Au/3.0 metres |
| DDH 88-6              | 1.1 gmt Au/3.0 metres   |
| DDH 88-8              | no significant intercept  |

As is usual for gold deposits, values of economic interest are erratically distributed in the zone. However, some continuity of ore grade values does occur locally, as is shown on the No. 8 vein in the winze.

Exploration by the early operators tended to view the deposit as one comprising several, narrow, high grade veins, each to be exploited individually. Later explorers, as evidenced by the prevailing drill pattern, endeavoured to establish a wider, possibly lower grade, deposit that followed the volcanic-sedimentary contact. Because a number of the better grade veins occur perpendicular to the overall trend of the altered zone, correlation between quartz veins and gold values in drill holes becomes tenuous.

East Zone

The East Zone, a new discovery on the property, was identified from drilling the Main Zone. A quartz vein zone, it lies 25 metres to the northeast of the Main Zone (Figure 4). The zone can be traced over a length of 90 metres in six drill holes (DDH 83-1, 87-1, 87-2, 88-4, 88-5, and 88-6). It strikes northwesterly and apparently dips to the northeast (Figure 5). It remains open for exploration to the northwest, but values evidently weaken to the southeast. For the most part, the zone has been intersected in weathered rocks where core recovery is generally poorer than in the fresher rocks. Hosted in meta-andesite, the zone exhibits a stratiform habit.

The East Zone drill results are summarized as follows:

| <u>Drill Hole</u> | <u>Assay/<br/>Intercept</u>                     |
|-------------------|---|
| DDH 83-1          | 7.2 gmt Au/1.5 metres (Sludge sample)           |
| DDH 87-1          | 1.0 gmt Au/3 metres                             |
| DDH 87-2          | 0.48 gmt Au/4 metres                            |
| DDH 88-4          | 1.6 gmt Au/1 metre<br>3.3 gmt Au/2.8 metres     |
| DDH 88-5          | 5.2 gmt Au/2.75 metres<br>2.2 gmt Au/2.8 metres |
| DDH 88-6          | 0.55 gmt Au/3.5 metres                          |

Raven Zone

The Raven Zone lies northwest of the Main Zone near the site of an old adit. A chip sample taken by Taiga Consultants in 1981 from a quartz vein exposed in a nearby trench assayed 5.2 gmt gold over three metres. In 1983, Taiga drilled two holes beneath the zone but no anomalous gold values were intersected. Core recovery was reported to be less than 60 percent. Each hole intersected black, graphitic meta-argillite.

In 1987, Noranda drilled a third hole beneath the zone. Its core recovery was only 15 percent. The hole cut highly altered volcanic rock. Anomalous gold values were non-existent. Noranda drilled a fourth hole a few metres to the southeast in 1988. Drilled beneath a trench that contained quartz vein material in andesite, the hole intersected no significant gold values. A six metre chip sample taken from the trench by Noranda had assayed 8.2 gmt gold.

### Pedley Lake Area

Bulldozer trenching on the Pedley Lake area uncovered a 12 metre wide quartz vein zone in one of five trenches. Another new discovery, the zone comprises at least twelve very narrow quartz veins in a moderately to intensely altered basalt. The zone lies on one of five prominent, north northeasterly striking, aeromagnetic linears that cut across the greenstone body.

The twelve veins, up to 3 centimetres in thickness, were individually sampled by Noranda. Visible gold was noted in quartz rubble in the trench. The veins returned assay values as follows:

| <u>Sample<br/>No.</u> | <u>Gold<br/>(gmt)</u> |
|-----------------------|-----------------------|
| 87603                 | 0.47                  |
| 87604                 | 0.89                  |
| 87605                 | 0.43                  |
| 87606                 | 11.60                 |
| 87607                 | 1.73                  |
| 87608                 | 109.85                |
| 87609                 | 1.64                  |
| 87610                 | 5.24                  |
| 87611                 | 3.24                  |
| 87612                 | 0.52                  |
| 87613                 | 0.23                  |
| 87614                 | 2.60                  |

### North Area

Trenching in the North Area, located approximately 1,000 metres north of the Main Shaft (Figure 3), uncovered numerous narrow quartz veins in greenstone. Most

veins were thoroughly sampled. Gold values in excess of one gram per tonne were recorded in four trenches, from veins sampled by Noranda. One chip sample assayed 1.42 gmt over 2 metres; another chip sample assayed 1.24 gmt over 3 metres. 'Grab' samples taken from veins in two other trenches assayed 6.36 gmt and 1.38 gmt respectively. These anomalous samples were collected from isolated veins distributed over a relatively wide area, not from a single vein or structure.

### CONCLUSIONS

On the Hixon Creek property, there are three mineralized areas that warrant continued exploration. They are the Main Zone, the East Zone, and the Pedley Lake Area. No further exploration is presently justified on the Raven Zone and the North Area.

The Main Zone is a conjugate system of auriferous quartz veins enveloped by moderate hydrothermal alteration. From a potentially economic perspective, the very number of veins in the system coupled with numerous, relatively high grade values in the old workings is impressive. The overall width of the zone and its exploration potential along strike and down dip add to its attraction. The internal nature of the zone, in terms of vein continuity and distribution of values, however, remains unclear. Diamond drill exploration from surface of a gold deposit of this kind is imprecise. Correlation of veins between holes is difficult, not the least because of differing vein attitudes within the system. It is necessary, at this stage of exploration, to gather additional information so that renewed underground exploration of the deposit can be justified. There is, at present, insufficient encouragement to implement an underground program. It is evident, however, that further diamond drilling should be undertaken. The siting of drill holes should be in harmony with exploration of the East Zone as is practical (Figure 4).

The East Zone evidently comprises one principal vein and a second parallel or branching vein (Figure 5). Gold values, while reasonably high in some intercepts and persistent over 80 metres of strike length, are not economic. Poorer core recovery, due possibly to surface oxidation in the weathered zone, indicates the grades could in

fact be higher. Because of the good vein continuity indicated and promising gold values over mineable widths, further diamond drilling should be undertaken along strike to the northwest (Figure 4) and down dip.

The Pedley Lake Area contains a high grade gold occurrence apparently associated with a north northeast trending aeromagnetic linear. Gold values and zone width are sufficiently high to warrant more intense exploration. The vein zone should be extended along strike to the extent possible by bulldozer (and excavator) trenching. The reconnaissance geochemical soil sampling indicates other structures in the area may be mineralized. Additional trenching across interpreted linears should be undertaken where geochemical values indicate and overburden conditions permit.

### Recommendations

Noranda Exploration, the operator, has proposed 'six to eight drill holes to further test the Main Zone and the East Zone along strike and to depth' and 'further trenching in the area of Trench 4 at Pedley Lake'. The writer essentially supports this program.

### Estimated Costs

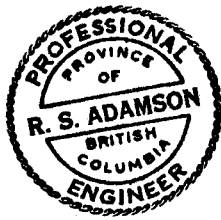
The cost of the proposed program is estimated to be:

|    |   |            |
|----|---|------------|
| 1. | Diamond Drilling<br>1,500 metres @ \$92/metre                       | \$ 138,000 |
| 2. | D-6 Tractor & Backhoe Rental<br>drillsites and trenching            | 6,000      |
| 3. | Maintenance & Transportation  | 13,000     |
| 4. | Assays & Analyses (including coresplitting)                         | 21,000     |
| 5. | Field Support<br>Travel, Communications, Freight, Rentals, Sundries | 5,000      |



|    |   |                          |
|----|---|--------------------------|
| 6. | Geology, Surveying & Field Supervision<br>40 days @ \$250 | 10,000                   |
| 7. | Project Management & Report                               | <u>9,000</u>             |
|    |   | 202,000                  |
| 8. | Contingencies (approximately 10%)                         | <u>20,000</u>            |
|    | <b>TOTAL</b>  | <b><u>\$ 222,000</u></b> |

Respectfully submitted,  
ORCAN MINERAL ASSOCIATES LTD.



A handwritten signature in black ink, appearing to read "R. S. Adamson".

Robert S. Adamson, P.Eng.

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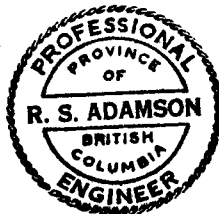
ORCAN MINERAL ASSOCIATES LTD.  
CONSULTING ENGINEERS

SUITE 1417 - 409 GRANVILLE STREET  
VANCOUVER, CANADA V6C 1T2  
TELEPHONE (604) 682-3722

CERTIFICATE

I, Robert S. Adamson, with business and residential addresses in Vancouver, British Columbia, do hereby certify that:

1. I am a consulting geological engineer.
2. I am a graduate of the University of British Columbia, (B.A. Sc. in Geological Engineering, 1957).
3. I am a registered Professional Engineer of the Province of British Columbia.
4. From 1957 until 1967, I was engaged in mineral exploration in Canada for a number of companies. Positions included Senior Geologist, Chief Geologist, and Vice-President, Exploration. Since 1967 I have been practising as a consulting geological engineer and, in this capacity, have examined and reported on numerous mineral properties in Africa, Europe, and North and South America.
5. I examined the Hixon Creek property on August 8, 1988.
6. I have not received, directly or indirectly, nor do I expect to receive any interest, direct or indirect, in the property of Hixon Gold Resources Inc. or any affiliate thereof, nor do I beneficially own, directly or indirectly, any securities of Hixon Gold Resources Inc. or any affiliate thereof.



Vancouver, Canada

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "R. S. Adamson".

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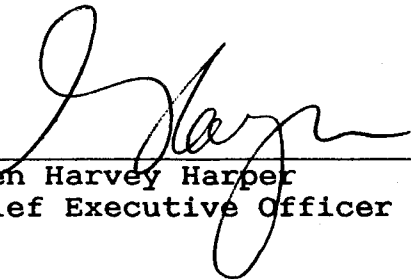
Robert S. Adamson, B.A.Sc., P.Eng.

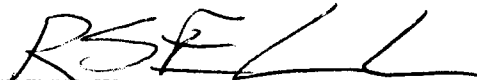
**CERTIFICATE OF THE ISSUER AND THE PROMOTER**

DATED: November 18 , 1988

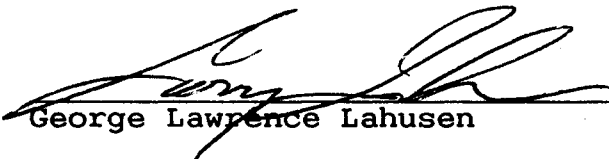
The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the Securities Act and its regulations.

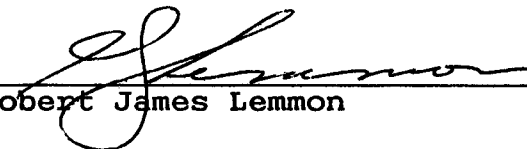
**THE ISSUER**

  
\_\_\_\_\_  
Glen Harvey Harper  
Chief Executive Officer

  
\_\_\_\_\_  
Robert Scott Edmunds  
Chief Financial Officer

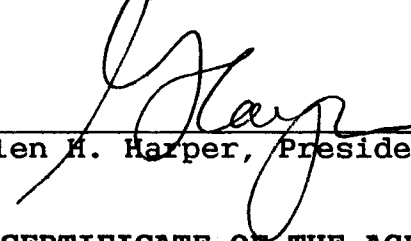
**ON BEHALF OF THE BOARD OF DIRECTORS**

  
\_\_\_\_\_  
George Lawrence Lahusen

  
\_\_\_\_\_  
Robert James Lemmon

**PROMOTER**

**GOLDEN RULE RESOURCES LTD.**

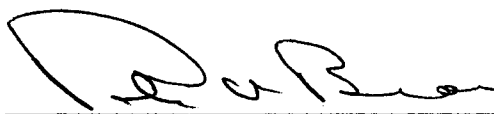
Per:   
\_\_\_\_\_  
Glen H. Harper, President

**CERTIFICATE OF THE AGENT**

DATED: November 18 , 1988

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the Securities Act and its regulations.

**CANARIM INVESTMENT CORPORATION LTD.**

Per:   
\_\_\_\_\_